هكذا ورد بالأصل

Austria	Sch30	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.900	Iran	Rls210	Philippines	Pso40
Belgium	BFr60	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Esc175
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr13	Korea	Won 2000	S.Arabia	SR8.00
Egypt	E£3.50	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,000	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr13
Germany	DM3.00	Morocco	MDh10	Switz	SFr2.70
Greece	Dr200	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft145	Nigeria	Naira16	Tunisia	Din0.900
Iceland	IKr180	Norway	NKr13.00	Turkey	L3000
India	Rs25	Oman	OR1.25	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Thursday October 31 1991

D 8523A

MAASTRICHT
A better road for the UK
Page 15

World News

Brussels to raise costs of Europe's road haulage

The European Commission is to publish a transport white paper by the end of the year paving the way for big increases in the cost of moving goods ou Europe's roads.

EC transport commissioner Karel van Miert, sees the measure as essential if traffic congestion is to be prevented from triggering a European economic and environmental crisis. Page 16

Guerin to be indicted

James Guerin, the man at the centre of the Ferranti scandal, will be indicted today in the US on criminal charges of fraud and illegal arms sales to South Africa. Page 16

Soviet strategy agreed

Britain and Germany agreed on a co-ordination of diplomatic strategy towards the Soviet Union, and practical co-operation on the ground, to help both countries deal with the chaos and confusion surrounding the rapid disintegration of the former Soviet empire. Page 3

Flotilla challenge

A flotilla of Croatian peace boats challenged the Yugoslav navy's blockade of Dubrovnik and appeared to win permission to sail into the mediaeval port after the military searched it for weapons, a local radio station said. Serb leader defies EC sanctions threat, Page 3

Zaire government named

Zaire's new prime minister Mungul Diaka named his government after the breakdown of negotiations between President Mobutu Sese Seko and his hardline opponents. Earlier, pro-Mobutu troops were deployed in the capital Kinshasa to discourage any street protests over the new government. France and Belgium to withdraw troops, Page 5

Arrest warrants issued

A French judge issued international arrest warrants on murder charges for four Libyan officials, including the brother-in-law of Libyan leader Muammar Gaddafi, over the 1989 mid-air bombing of a French airliner over the Sahara desert in which 170 people died.

UK rail privatisation

The privatisation of Britain's state railway, British Rail (BR), will not be achieved in the lifetime of the next parliament, transport secretary Malcolm Rifkind, said. Page 8

Father jailed for life

Robert Rouse of Croydon, south London, was jailed for life at the Old Bailey, London, for murdering his six-week-old daughter.

Alzheimer's hope

Nature, the scientific journal, has reported a breakthrough in the long search for a cure for Alzheimer's disease. Scientists in London have proof that an excess of e brain protein called amyloid is central to the disease process. They said the search for a drug to stop over-prodnction was undar way.

Iran N-arms fear

Iran may be actively seeking to develop a nuclear weapon and has bought calutron equipment from China capable of producing enriched uranium used in such arms, Bush administration officials said.

Tobacco advertising

The British government pledged to fight EC plans to ban tobacco advertising, saying it would hit sponsorship of sport.

India lifts SA curbs

India, among the first countries to impose sanctions on South Africa, lifted all curbs on travel between the two countries and ended cultural and scientific boycotts.

Business Summary

US Fed allows key interest rate to fall

The US Federal Reserve yesterday allowed a key interest rate to drift lower, a move interpreted by many market participants as an easing of monetary policy.

Analysts said the Fed's failure to drain reserves from the system indicated it had lowered its target for the federal funds rate by a ¼ point to 5 per cent. An easing of policy had been expected after weak consumer confidence figures and a fall in new home sales.

The dollar fell to a four-week low against the D-Mark in London on speculation that the Fed was about to cut interest rates. Page 16; Fall in US home sales, Page 6; Currencies, Page 34

BRAZIL: confusion in the financial markets remained amid fears about hyperinflation and hostility between government and business after the suspension of gold market operations by the central bank on Tuesday. Page 16

VIETNAM is expected to announce soon which oil companies will be awarded licences off its southern coast, ending one of the international oil industry's most eagerly contested battles. Page 26

INVERGORDON Distillers, Scotch whisky producer, saw institutional shareholders reject a £350m ($602m) takeover bid from Whyte & Mackay, UK drinks subsidiary of American Brands, US tobacco group after a closely-fought 12-week battle. Page 17; Lex, Page 16

BOSCH-SIEMENS Hausgeräte, German domestic appliances group, is discussing a link-up with rival AEG, the Daimler-Benz subsidiary, which give the partners an 18 per cent share of the European white goods market. Page 17

BRITAIN accepted significant limits on its freedom to scrutinise takeover bids by foreign state-owned companies under an agreement with the European Commission. Page 3

AMAX, third-biggest US aluminium producer, is forming a joint-venture company with Mitsui, Japanese trading group, to promote the licensing and sale of Amax technology, aiming particularly at the motor industry. Page 6

COMPAGNIE Financière de Suez, French financial and industrial conglomerate, is reorganising its development capital businesses, the latest step in its new focus core activities. Page 18

PHILIPS, Dutch electronics group, saw a 10 per cent drop in operating profits in the third quarter, falling to Fl 469m ($246.3m) from Fl 522m a year earlier. The group blamed a fierce price war in the global consumer electronics industry. Page 17

CHRISTIANIA Bank, Norway's second biggest bank, said net losses in the third quarter had swollen to NKr5.69bn ($856m), against a deficit of NKr683m in the same period last year. Page 18; Slippery slopes, Page 14

DSM, Dutch chemicals group, reported a 38 per cent drop in third-quarter net profit to Fl 117m ($61.5m). Page 18

FUJITSU and Hitachi, two Japanese electronics companies, agreed to scrap a joint venture formed 20 years ago in an attempt to counter IBM's influence in the domestic computer market. Page 19

TRAVELERS, US insurer, showed some signs of improvement when it reported third-quarter profits after-tax of $65m. Page 20

REED International, publishing and information group, announced better than expected first half pre-tax profits of £85.3m ($146.71m), a fall of 21.6 per cent. Page 24; Lex, Page 16

Bush opens Madrid conference by telling Arabs and Israelis to 'lay down past'

US urges 'territorial compromise'

By Victor Mallet, Tony Walker, Hugh Carnegy, Peter Bruce and Tom Burns in Madrid

Gulf states may play vitel peace role........Page 4
EC urges Israel to halt West Bank settlements....Paga 4
Israel and Arabs welcoma Bush speech ....Page 4

PRESIDENT George Bush yesterday called on Arabs and Israelis to "lay down the past" and make peace, hut he warned that it would be a painful process that could take more than a year.

Opening tha Middle East peace confarence in Madrid with a powerful speech, Mr Bosh said peace would come only as a result of direct negotiations and compromise.

"We come here to Madrid as realists. We do not expect peace to be negotiated in a day, or a week, or a month, or even a year."

Both Mr Bush and President Mikhail Gorbachev, who jointly convened the historic meeting, said the end of the Cold War had created the opportunity for peace in the Middle East. "The fundamental change in Soviet-US relations has raised real hope of reaching and Arab-Israeli solution," Mr Gorbachev said.

The two presidents were addressing the first ever gathering of leaders from Israel and all its Arab neighbours. The delegations were seated around a T-shaped table in a tapestry-draped hall in the heart of Madrid's Royal Palace. The atmosphere was expectant but cool. There was no mingling between the Israeli delegates and their Arab counterparts.

Mr Bush's speech set the tone – almost entirely overshadowing Mr Gorbachev and underlining the dominant US role in bringing the two sides to the negotiating table.

"We have seen too many generations of children whose haunted eyes show only fear – too many funerals for their brothers and sisters, the mothers and fathers who died too soon – too much hatred, too little love," Mr Bush said.

"If we cannot summon the courage to lay down the past for ourselves, let ns resolve to do it for the children."

But he said outsiders could not impose a settlement. In a clear effort to strike a balanced position, he called on the Arab side to show it was "willing to live in peace with Israel and make allowances for Israel's reasonable security needs."

At the same time, he said Israel "now has an opportunity to demonstrate that it is willing to enter into a new relationship with its Palestinian neighbours, one predicated ou mutual respect and co-operation."

Mr Bush acknowledged the Israeli demand for full peace treaties that established diplomatic relations between Arab statss and Israel. He also avoided a specific call for Israel to give up the occupied territories as part of a settlement.

But in a clear gesture to Palestinian demands for self determination, he said the Palestinian people must be given "meaningful control over their lives and their fate" and said: "We believe territorial compromise is essential for peace."

Mr Bush said the US was prepared to play an active role in helping the peace process succeed. The US was also pre-
Continued on Page 16

Quiet moment: Israeli prime minister Yitzhak Shamir listens to the speech by President George Bush yesterday

Shofarim sounds warning for shrinking Shamir

By Peter Bruce and Tom Burns in Madrid

THE FIRST fog of the winter fell upon Madrid yesterday morning – which was probably just as well for Rabbi Avi Weiss, who stood hy the entrance to the Royal Palace in Madrid blowing on a ram's horn.

Since the time of Moses, rabbis have blown on *shofarim* to call the faithful to prayer and warn them of danger. Mr Weiss blew loudest as President George Bush'a 35-car motorcade - complete with a small hospital - swept through the palace gates.

Measured by the number of attendant ambulances, tha American leader had taken charge of the peace process even before it began.

His Soviet co-sponsor, President Mikhail Gorbachev, borrowed a vehicle from the Spanish national health service and it was turned back at the palace. Mr Yitzhak Shamir's ambulance sqneaked through.

That was probably the most comforting thing that happened to the Israeli prime minister all morning.

As the delegations gathered inside the palace to wait for the American and Soviet leaders, there were handshakes all round until Mr Shamir brought the fog in with him.

He and his team did everything not to make eye contact with the Palestinian and Syrian enemies across the table. Only the Americans crossed into Israeli territory to chat and make them feel at home. But then only the Americans knew what the president was about to do.

"We seek a stable and enduring settlement," Mr Bush said in opening the talks. "We've not defined what this means... nevertheless" – Mr Shamir hraced himself – "we beliave that territorial compromise" – wince – "is essential for peace. Boundaries should reflect the quality of both security and political arrangements."

Mr Shamir is a small man, and he did try to be positive when he arrived in Madrid. But at the mention of territory and peace in the same breath Mr Shamir seemed to shrink from view altogether, his arms wrapped ever tighter around his waist.

He surfaced again when Mr Gorbachev began to talk. The Soviet leader did not have mnch to say about territory and peace in the Middle East.

Instead, he dwelt on territory and peace in the Soviet Union, perhaps to demonstrate that when it came to conceding territory for peace, he is rapidly becoming an authority.

After those two speeches, everyone got np and left.

There was a nasty moment on the stairs when, with Mr Shamir in lead, the file came to a sndden halt. Just behind him, the Palestinian delegates had to perform an emergency stop in order uot to fall on him.

This was a time to stop the falling upon and smiting of each other, so the incident was not taken as an omen and the rest of the day was taken np with the less than crncial introdnctory speeches of the European Community and Egypt, both of which already enjoy a state of peace with Israel.

Mr Shamir gets his turn to speak today and the hope is that he will at last look np from the papers in front of him, or from his hands, or the people behind him, and actually look straight at the people around the conference table.

That will be hard. It will be admitting that a negotiation is actually happening.

Beijing blocks Hong Kong air agreements over Taiwan

By Angus Foster in Hong Kong

CHINA is blocking Hong Kong from signing agreements on air services with four other countries, including two important European carriers, because of political considerations over Taiwan.

The latest row has stalled progress in the Joint Liaison Gronp, which is overseeing details of Hong Kong's return to Chinese sovereignty, and again shows that China is prepared to put politics ahead of Hong Kong's economic interests. It also raises significant qnestions ahout future Hong Kong-Taiwan relations and the status of some Hong Kong air agreements once China takes over in 1997.

China is hlocking agreements with Germany, Italy, Sri Lanka and India because it believes Hong Kong has given some of these and other countries "beyond rights", the right for their airlines to start services on from Hong Kong to Taiwan. China claims sovereignty over Taiwan and believes allowing airlines to fly there undermines efforts to isolate the island's government.

China is also demanding to see confidential memorandums of understanding, documents signed by Hong Kong and other governments concerning flight frequencies and "beyond rights", even though the documents are secret.

Hong Kong is not prepared to show China these documents but may already have been forced to change its air services policy, by refusing to grant further "beyond rights" to Taiwan, because of China's actions.

The dispute follows a long-running argument about Hong Kong's new airport, when China won considerable influence over Hong Kong in the lead np to 1997. Relations between Britain and China are also strained by controversy over a planned Court of Final Appeal and use of defence lands.

Hong Kong is separating its air services agreements from Britain's as part of the 1984 Sino-British Joint Declaration on Hong Kong's retnrn to China. Some existing confidential memorandums were originally agreed with Britain and contain "beyond rights" to Taiwan. These are being transfered to new, separate agreements.

Agreements are initialled by Hong Kong and the other government then passed to the Joint Liaison Group for approval before final signature. China is refusing to approve the four agreements in tha JLG, and one of the four has been held up for nearly a year.

According to the Joint Declaration, Hong Kong can negotiate air services which do not operate "to, from or through the mainland of China" while services which touch the mainland are the responsibility of the Chinese government. By using the word "mainland", Britain and Hong Kong assumed Taiwan fell within Hong Kong's responsibility.

But China is now invoking another clause of the Joint Declaration, which gives China the right to agree air services between Hong Kong and "other parts of the Peoples Republic of China", a phrase which could include Taiwan.

CONTENTS

Governor Bill Clinton seeks to overcome hillbilly hurdle

Governor Bill Clinton, setting nut on his quest for the Democratic nomination for tha US presidency, may find that hia chief obstacla lies in his political base, the tiny state of Arkansas
Page 6

MARKETS

STERLING
New York lunchtime:
$1.743
London:
$1.743 (1.7225)
DM2.9075 (2.9125)
FFr9.94 (9.9375)
SFr2.55 (2.545)
Y228.25 (225.25)
£ index 90.9 (90.5)

GOLD
New York Comex Dec
$ (361.1)
London:
$359.45 (358.4)

N SEA OIL (Argus)
Brent 15-day Dec
$ (21.725)

Chief price changes yesterday: Page 16

DOLLAR
New York lunchtime:
DM1.6725
FFr5.7125
SFr1.465
Y131.12
London:
DM1.6685 (1.6905)
FFr5.7025 (5.77)
SFr1.4625 (1.4775)
Y131.0 (130.75)
$ index 64.4 (64.7)
Tokyo close: 131.05

US lunchtime rates
Fed Funds $4\frac{3}{4}$%
3-mo Treasury Bills:
yield: 4.971%
Long Bond:
$102\frac{17}{32}$
yield: 7.896%

STOCK INDICES
FT-SE 100:
2,577.1 (+23.8)
FT-SE Eurotrack 100:
1,101.22 (+1.26)
FT-A All-Share:
1,242.37 (+0.8%)
New York lunchtime:
DJ Ind. Av.
3,064.62 (+2.68)
S&P Comp
392.23 (+0.75)
Tokyo: Nikkei
24,981.18 (−159.43)

LONDON MONEY
3-month Interbank:
$10\frac{3}{8}$% ($10\frac{1}{2}$%)
Liffe long gilt future:
$95\frac{15}{32}$ ($95\frac{3}{8}$)

EUROPEAN NEWS

Drastic action urged on immigrant 'slave trade'

By Leslie Colitt in Berlin

JOINT action had to be taken against "modern slave traders" smuggling hundreds of thousands of illegal asylum seekers from eastern Europe to the west, interior and justice ministers meeting in Berlin agreed yesterday.

Mr Wolfgang Schäuble, the German interior minister, told the *first international conference* on illegal immigration from central and eastern Europe, that drastic steps had to be taken. He estimated that 500,000 foreigners were illegally living in Germany which has borne the brunt of recent illegal entrants from the east. More than 200,000 illegal asylum seekers are expected to enter Germany this year.

The conference also agreed that fines should be increased against airlines carrying passengers without visas to destinations requiring them. Uniform visa policies should be pursued and the granting of entry permits more closely controlled.

Mr Schäuble condemned the *growing violence against asylum* seekers in Germany as a "disgrace for our country" and said the assailants would be severely punished. Sut the problem could be solved only by improving living conditions in the countries of origin.

Officials were present from Romania and Albania whose citizens are leaving the country in growing numbers, as well as from Russia and Ukraine, which western officials fear will be the source of future waves of emigrants.

Representatives of refugee groups said outside the conference that six foreignars had died in attacks hy Germans over the past 22 months whila 10 asylum seekers were still in *hospital*.

Demonstrators protested outside the conference site in the Reichstag against the "sealing off" of Europe from refugees and demanded that all refugees be given a right of asylum. Altbough Germany is embroiled in a debate on whether to revise its constitutional guarantee of asylum no change in the law is likely.

Report voices concern about disparity in customs control

By Andrew Jack

RESOURCES evailable to customs services in European Community countries vary *sharply, with implications for* the effectiveness of border control, according to a report commissioned by the EC Directorate-General of Customs and Indirect Taxation in Brussels.

Mr Richard Condon, bead of customs policy at the directorate, speaking at the Financial Times conference on European Postal Services yesterday, said there were "extreme disparities" between member countries. The customs department in Greece, for example, which controlled the Community's sonth-eastern border, had no aircraft or ships to help its operations.

The report suggests ways of improving which national customs services after 1992:

- concentrating cnstoma *resources on areas of greatest* risk;
- relaxing physical border controls in favour of checking traders' internal audit systems;
- simplifying clearance procedures between countries.

Mr Condon said it was unlikely that EC customs law would be codified by the end of next year, bnt that physical and fiscal frontiers would still be lifted from January 1, 1993. "The Community'a external frontier will be the only frontier," be said.

Turning to the subject of indirect tax, he said: "The EC treaty provides a much less promising basis for tax harmonisation than for customa union." The standard rate of valne added tax (VAT) from *1993 would be* at *least 15 per* cent, with a reduced rste of 5 per cent and a super-reduced rate for certain goods and services. Member states would be free to set an upper rate.

However, Mr Condon said that there would be e transition period – until at least 1996 – during which VAT rates would vary in *the different* EC member states. They currently varied between zero and 35 per cent.

During that period, VAT on mail order goods would be charged at the rate in force in the country to which goods were delivered and credited to that country'a revenne.

Two biggest Soviet republics make another attempt to mend their fences

Russia and the Ukraine sign new deal

By Chrystia Freeland in Kiev

RUSSIA and the Ukraine, the two largest Soviet republics, made a further effort to paper over their differences in a protocol signed yesterday in Kiev.

In talks between foreign and defence ministers, Russia also gave its blessing to tha Ukraine in its drive for independence in exchange for guar*antees of the rights of the* large Russian minority living in that republic.

Ukrainian and Russian representatives reiterated their intention to push for speedy ratificstion of the 1991 Start treaty with the US on the reduction of strategic nuclear weapons and agreement on conventional forces in Europe. Both republics Insisted on direct participation in tha enactment of these accords.

Yesterday'a deal, the third high-level agreement in the past year, was e dress rehearsal for talks between Russia'a president, Mr Boris Yeltsin, and Ukraine's leader, Mr Leonid Kravchuk, to be *held next month*.

Mr Andrei Kozurev, Russian foreign minister, described the meeting es "a sensation". Coming in the wake of Mr Yeltsin'a speech on Monday outlining a radical economic reform package for Russia, it suggests that a go-it-alone Russia may be reconciling itself to the independence plans of other republics.

Bnt the critical issue of borders was not definitIvely resolved. Russia offered fresh assurances that it has no territorial ambitions towards the Ukraine in exchange for a Ukrainian promise to honour minority rights.

However, Mr Kozurev gave a *non-committal response to* a question abont the Crimea, the Black Sea peninsula which is part of the Ukraine but which many Russian leaders would like to see incorporated into their republic.

Representatives of the two most important republics in the Soviet Union promised in their protocol to co-ordinate the work of their foreign ministries.

They also discussed the creation of rapublican armad forces, the division of all of the Soviet Union's foreign assets, including its embassies, and tha independent entry of both republics into international organisations such as the *International Monetary* Fund.

Mr Kozurev said that if the Ukraine voted yes in a referendum on independence scheduled for December 1, Russia would sign a consular agreement with the republic, a step which might encourage western countries to recognise the Ukraine as well.

Yeltsin: meeting sensation

Fatal blow looms for fading superpower

Ukraine's plan for its own troops will cost the Red Army dear, says Chrystia Freeland

ARMY officers guarding wbat was once tha *western perimeter of* the Soviet Union say they now take their orders exclusively from the Ukrainian government in Kiev.

Their testimony suggests that Ukraine's newly-appointed ministar of defence has won his first skirmish in a "war of laws" with the Soviet Defence Ministry for control of the 1.5m troops stationed on Ukrainian territory.

"Kiev decides everything for us, says Colonel Serhii Akhmadinnrov, one of the deputy commanders of what was until September 15 the Soviet Union's Western Border Guard. "The border army is Ukrainian."

For now, Col Akhmadinnrov's men are positioned only on the Ukraine's 1,400km border with Poland, Hungary, Czechoslovakia and Romania, but be says that eventually *they will guard the Ukraine'a* borders with Russia, Belorussia and Moldova.

He believes there should be definite borders. "Good fences *make good neighbours,"* says Col Akhmadinurov, who is an ethnic Russian.

At the Western Border Guard's Lvov headquarters the political tug-of-war is evident. Col Akhmadinurov and his colleagues make an effort to speak a rusty Ukrainian, are designing new uniforms, penning a new oath of loyalty and displaying new national symbols.

"At the border we used to fly the red flag of Russia, now we have the blue and yellow flag of the Ukraine," says Colonel Aleksandr Liashchuk, another deputy commander.

Bnt the corridors are still lined with portraits of "International soldier heroes" and a *billboard adorned with* a red star, hammer and sickle displaying the Red Army's military oath "I promise...to my last breath to be faithful to my people, my *Soviet homeland* and the Soviet leadership."

In contrast with other independence-minded republics, which are seeking tha withdrawal of the Soviet Army, the Ukraine intends to take over Soviet military forces on its soil.

"A year ago at demonstrations people used to say 'Out with the occupation army'," says Colonel Akhmadinurov. "Now the attitude is different. People see us as a Ukrainian army."

This month the Ukraine backed its declaration of independence with a package of laws providing for the creation of Ukrainian Armed Forces with up to 450,000 soldiers, a Repnblican Guard of 30,000-50,000, and Ukrainian border forces in addition to strategic *forces* to be collectively commanded by the Ukraine and other republics.

Moscow reacted by sending each soldier serving in the *Ukraine a letter insisting that* he obey the central government and containing the veiled suggestion that soldiers should vote 'no' in the Ukraine's *December 1 referendum* on independence.

The Ukraine has begun with the bordar guards and the Republican Guard becanse *they are* ontside the *main*-stream Soviet Army structure and are thus the easiest to take over. The border guards were traditionally controlled by the now defunct KGB and the Repnblican Guard is to be formed on the basis of Ministry of the Interior troops and volunteers.

By contrast, the creation of Ukrainian Armed Forces could be the final, fatal blow for the fading military superpower. Approximately one quarter of Soviet troops are stationed on Ukrainian territory and 42 per cent of all Soviet officers are ethnic Ukrainians. The Ukrainian government has invited them all to return to their native lands. Deprived of the Ukraine, which inclndes the Black Sea ports of Odessa and Savastopol, the Soviet Union would be reduced to an essentially Asian power.

Commanders of the three Soviet military districts in the Ukraine have divided loyalties. *According to Mr Mykola Porovsky*, the deputy bead of the Parliamentary Commission on Defence and the Military, the commander of the Trans-Cau*casian* district actively supports the Ukrainian takeover, but the commanders of Kiev and Odessa are hostile.

The Officers Union of the Ukraine, a civil organisation formed in July which counts 15,000 serving officers among its members and 10,000 reservists, is the most powerful pro-Ukrainian lobby within the military. Mr Porovsky said that pro-Soviet forces plan to form a rival organisation this month.

Colonel Vilen Martyrosian, the ethnic Armenian who leads the Officers Union, told Ukrainian parliamentariana this week: "Do not think that everything is going smoothly; patriotic officers are being fired and the best technology is being removed." Disturbingly, Col Martyrosian added that members of his organisation are not defenceless, because: "we all have weapons."

Although only 30 per cent of officers in the Ukraine are ethnic Ukrainians, the split is not along national lines. Col-Gen Konstantin Moroso, a Russian, is the first Ukrainian minister of defence and Russian officers say that the Ukraine's decision *to grant citizenship to all* inhabitants of the republic has reassured them.

Greek PM acts to avert crisis

By Kerin Hope in Athens

A *THREATENED* political crisis in Greece has been averted, with Prime Minister Constantine Mitsotakis swiftly appointing a new minister to supervise unpopular civil service reforms. Mr Sotiris Kouvelas, wbo held the agriculture portfolio, has become minister to the prime minister's office, following the dismissal of Mr Miltiades Evert.

Mr Kouvelas pledged to complete the transfer of 10,000 public-sector employees to vacant posts, whicb has provoked strikes at state hospitals in Athens.

The conservative government is accused of trying to ensure that supporters of the opposition Panhellenic Socialist Movement (Pasok) are the first to be transferred or laid off, in cases where state-owned factories enforce cuts.

Mr Kouvelas, 54, who earned a reputation for efficlent administration as mayor of Salonica, has held three cabinet posts since he returned to parliament in 1989.

Mitsotakis: swift action

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EUROPEAN NEWS

UK, Germany in joint approach on Soviets

By Quentin Peel in Leipzig

BRITAIN and Germany yesterday agreed on a co-ordination of diplomatic strategy towards the Soviet Union, and practical co-operation on the ground, to help both countries deal with the chaos and confusion surrounding the rapid disintegration of the former Soviet empire.

At the heart of the agreement lies recognition of tbe need to develop closer contacts with "the new centres of authority in the Soviet Union and its repnhlics".

The deal was agreed by Mr Douglas Hurd, the British foreign secretary, and Mr Hans-Dietrich Genscher, the German foreign minister, after the first German-British conference of ambassadors and top officials concerned with the Soviet Union, which took place yesterday in Leipzig.

It suggests a significant shift of emphasis in German policy towards the Soviet Union in particular, stressing the need to build np relations with all the emerging republics, and de-emphasising the former priority in Bonn's policy of preserving s central authority.

At the same time the agreement is something of a success for the British government, in that it amounts to a practical deal on inter-governmeotal co-operation within the framework of European political co-operation, rather than a formal European Community agreement.

Thus, apart from agreeing on policy priorities, and on sbaring information and analysis, both sides have agreed to explore ways of sharing buildings and equipment in the bectic process of setting up new missions in the republics.

While stressing that the entire initiative fits in witb Community co-operation, officials on both sides agree that any attempt to organise practical measures on a 12-nation EC level would involve months of bureaucrstic negotiation. Instesd, the two countries intend to press ahead with their co-operation, leaving it open for otber EC member states to join in the future.

Mr Hurd said after the meeting that the analysis of both sides of developments in the Soviet Union was almost identical. "Obviously this includes a much greater emphasis on the republics and on contacts with the republics," he said. "There is scope for an unprecedented degree of co-operation between us."

In spite of the emphasis on developing relations with the republics, botb Britain and Germany see the need for some form of central authority to remain.

Thus, the priorities include close co-operstion witb the "Soviet Union" in handling international relations, maintenance of the integrity of international agreements on arms control, and tbe promotion of further disarmament, and the maintenance of "joint liability of the union and its republics for the external debt of the Soviet Union."

Mr Genscher admitted that the problem with the maintenance of central authority in the Soviet Union was that it was antomatically identified with the discredited system of centralised Communist party control.

He stressed the need to provide co-ordinated assistance in the areas of oil, gas and raw materials production, sll of which could help the country's critical balance of payments problem.

As for the inter-governmental nature of tbe agreement, rather than one in the full EC context, be said: "If small steps are going in the right direction, they have a tendency to have an accelerating effect."

Mr Hans-Dietrich Genscher (right) and Mr Douglas Hurd after yesterday's first Anglo-German conference on Soviet affairs

Italy takes on highway robbers

By Robert Graham in Rome

ITALIAN police have made a breakthrough in curbing one of the country's most profitable but least known crimes – highway robbery.

This week they arrested 15 people throughout Italy who allegedly ran a ring responsible for most of the 1,700 fully-loaded articulated trucks plundered or stolen on Italian roads since 1987. The organisation was run from Umbria, apparently hecausa of its central location both for monitoring the passage of trucks on the north-south *autostrada* and for distribution of merchandise.

The scale of this type of crime has been kept quiet, largely hecause police and transport companies have been unwilling to go public. But according to the police, the average contents of each truck is wortb around L250m ($200,000). The police also say that about 900 of the vehicles stolen had foreign licences plates.

The robberiss mainly took place sonth of Naples beginning on the *Naples/Salerno autostrada*.

The brains behind the operation and the organisation are alleged to have been supplied by members of the Calabrian Mafia.

UK gives way on takeover scrutiny

By Andrew Hill in Brussels and Charles Leadbeater in London

THE British government has accepted significant limits on its freedom to scrutinise takeover hids by foreign state-owned companies under an agreement with the European Commission.

The agreement represents an important assertion by Brnssels of its jurisdiction ovar national governments' condnct of compstitioo policy.

Mr Peter Lilley, the UK trade and industry minister, said the statement was an endorsement of the British position which was modified earlier this year so that state ownership would only be a factor in the referral of s bid if there were other competition issues at stake as well.

A statement issned yesterday hy the Commission marks tbe final stage of the UK government's retreat from the position it sdopted in 1990, to refer takeover bids made by state-owned companies on tbe grounds tbst such bids were likely to be anti-competitive.

The Commission said British competition policy was compatible with EC law after Mr Lilley *had* accepted that state ownership *per se* could not justify the referral of a takeover bid to the Monopolies and Mergers Commission.

Mr Lilley, in a *speech* in June, accepted that state ownership could only be a factor in the referral of a bid if there were national security considerations or normal competition issues. This followed the decision of the Monopolies and Mergers Commission to clear four of the five hids by state-owned companies which had bean refarred to it.

Brussels has also asserted its exclusive right to investigate allegations of illegal subsidies to state-controlled groups. Mr Lilley had argued that suhsidies gave forsign state-owned bnsinesses an unfair advantage in hidding for privately financed British companies.

Mr Lilley said: "As long as there is no change in the operation of the policy there sbould be no further problems."

The Commission asked the Britisb government to clarify its policy after it received s complaint from Crédit Lyonnais, the French state-owned *bank, which last year had* two takeover bids referred. Tbe Commission wss indepsndently *concerned* that the British policy might cut across its responsibilities for scrutinising state aid.

Serb leader defies EC sanctions threat

By Laura Silber in Belgrade

MR Radovan Karadzic, leader of the Serbs in Yugoslavia's central repnblic of Bosnia-Hercegovina, said yesterday he would not submit to European Community threats to impose economic sanctions unless all six Yugoslav republics agree to EC peace proposals.

Mr Karadzic's remarks were aimed at shoring up Serbian unity before the resumption of the EC-sponsored peace conference in The Hague next Tuesday at which EC foreign ministers are expected to impose restrictive sanctions on those republics opposing its proposals for the transformation of Yugoslavia into a loose association of sovereign states.

"It is not Europe's first ultimatum to this territory, most likely it is not the last. Bnt it will definitely not be accepted, because we do not accept ultimatums," Mr Karadzic said.

Despite the collapse of trade among the six repnblics in recent months and particular economic problems for Serbia, *it appears, officially at least,* that Serbia is prepared to risk economic isolation. A western diplomat aaid yestarday: "There are still five days when there's is room for talking but then the curtain will come down on Serbia."

The war in the *breakaway* republic of Croatia has already disrupted almost the entire transport system. A petrol shortage has virtually halted traffic in Bosnia-Hercegovina, and there is a food shortage.

It is unclear wbetber economic pressures within Yugoslavia will soften Serbia's tough stance towards the EC. However, despite the bravado among Serb leaders, behind the scenes Serb politicians from across tbe political spectrum are beginning to fear tbe consequences *of sanctions.*

The economic crisis there is exscerbating tbe tense relstions between ths republic's mix of Slavic Moslems, Serbs, and Croats.

Meanwhile, a flotilla of more than 50 boats carrying about 1,000 people has been *allowed* to sail to Dubrovnik, tbe Adriatic city which has been under a month-long siege by the federal army, Croatian radio reported.

It also reported sporadic artillery and mortar duels thronghont battles zones in Croatia.

Hungary may hold trials of communists

By Nicholas Denton in Budapest

HUNGARY'S parliamsnt is expected early next week to vote to allow trials of communist officials and secret agents. MPs are likely to amend the law to allow prosecution for murder and treason committed in the name of communism. The most ohvious targets will be officials who took part in suppressing the 1956 uprising.

The amendment, backed by the governing conservative Hungarian Democratic Forum (MDF), plans to treat communist officials like war criminals by removing from them the protection of the statute of limitations which forbids prosecutions long after the event.

MPs estimate that the proposal would result in about 50 trials. One defendant is expected to be Mr Gyorgy Marosan, a prominent communist leader in the 1950s and 1960s.

The government has also tabled a bill to purge former agents of the internal security department of the secret police.

This could mean that senior officials in government, the judiciary and the media would be vetted, while those with links to thc secret police would be exposed if they did not resign. Talk in the corridors of parliament is that 30-40 MPs may be vulnerable.

The two-pronged parliamentary attack on former communists is a surprising departure for Hungary, the east European country which bas enjoyed the gentlest transition from communism to democracy. The only political trial since the fall of the commnnists was of two officials in charge of the secret police.

But the cantion of Mr Jozsef Antall, thc moderate prime minister, appears to be giving way under pressure from right-wing members of the MDF. Their demands extend to a purge not ouly of secret agents *but also* of communist and liberal sympathisers at all levels in the media.

Mr Imre Konya, the MDF's parliamentary leader, recently called for "decisive action" on alleged media bias, in an internal party memo. He said the *government had convinced the* world it was tolerant and could now afford to combat the domination of the media by its opponents. Western diplomsts and the Hungarian opposition have said s divisive witch hunt, similar to that in *Czechoslovakia,* would be dangerous.

Ireland to ease controls on foreign exchange

IRELAND is to further relax exchange controls regulations from January 1, in the run-up to the creation of a European Community single market, Mr Albert Reynolds, finance minister, said yesterday, Reuter reports.

Restrictions will be lifted on overseas investors holding bank accounts in Ireland and on Irish residents holding foreign securities, property and currency accounts in Ireland. But Irish residents will not be permitted to hold bank accounts outside Ireland until the final lifting of controls at the end of 1992. Exchange controls have been gradually liberalised since 1988.

Spanish sherry workers end 59-day strike

WORKERS in Spain's sherry vineyards yesterday ended a 59-day strike over pay and conditions which caused the loss of half this year's harvest and cost prodncers $30m, *Reuter reports* from Jerez de la Frontera.

Unions signed an agreement with the prodncers' sssociation Fedejerez providing for a 7.5 per cent pay increase this year and rises one parcentage point above inflation for 1992 and 1993.

The 3,500 workers walked ont on September 2 when about half the grapes had been picked, leaving the rest to rot *on the vine.*

Israel and Arabs welcome Bush speech

By Hugh Carnegy in Madrid

US PRESIDENT George Bush's carefully crafted opening statement to the Middle East peace conference was greeted with general satisfaction yesterday by Arab and Israeli officials.

His even-handed approach, echoed by that of President *Mikhail Gorbachev, achieved* the important objective of avoiding any early npset among the conference's volatile participants.

"He satisfied everybody diplomatically," said Mr Zuhair Jenaan of Syria. A Jordanian official said the Bush speech was "a very good basis" for resolving the Arab-Israeli conflict.

Mr Binyamin Netanyahn, the Israeli deputy foreign minister, said: "I think this has been a very good day for the prospects for peace."

An Israeli statament welcomed the *commitment* by both presidents to achieving full formal peace agreements between Israel and its Arab neighbours, not just an end to the state of belligerency between them.

"Such a peace has been the objective of Israel for 43 years. It ramains tbe objective today," the statement said.

The Israali side was also pleased by the emphasis placed by both Mr Bush and Mr Gorbachev on the need for any settlement to be reached by the parties themselves, not imposed from outside.

The Israeli response chose to ignore Mr Bush's statement that a settlement would require territorial compromise by Israel, something Mr Yitzhak Sbamir, the Israell prime minister has refused to accept.

By the same token, the Palestinian delegation waa pleased by this and by Mr Bush's reference to the Palestinians as a people who had to be given "meaningful control" over their own lives and fate.

Mrs Hanan Ashrawi, the Palestinian spokeswoman, expressed disappointment that *Mr Bush had not gone further* on these issues, nor had made any mention of Jewish settlements in the occupied territories which the Arab side wants frozen. "There are sins of commission and sins of omission," she said.

Bnt she was pleased by the president's clear statement that the terms of an interim five-year period of limited autonomy for the Palestinians in the occupied West Bank and Gaza Strip, which the negotiations are intended to achieve, would not prejudice the terms of a final settlement which will be *negotiated later*.

This is of key importance to the Palestinians because Jerusalem, which they regard as their capital and an integral part of any Palestinian state, has been excluded at Israel's insistence from any interim settlement.

Egypt offers to act as a go-between

By Tony Walker in Madrid

EGYPT yesterday emphasised its role as a potential go-between in efforts to advance the Middle East peace process.

Mr Amr Moussa, Egypt's foreign minister, reminded the Madrid peace conference that Egypt was uniquely placed, as the only Arab state to have made peace with Israel, to facilitate progress in the negotiations.

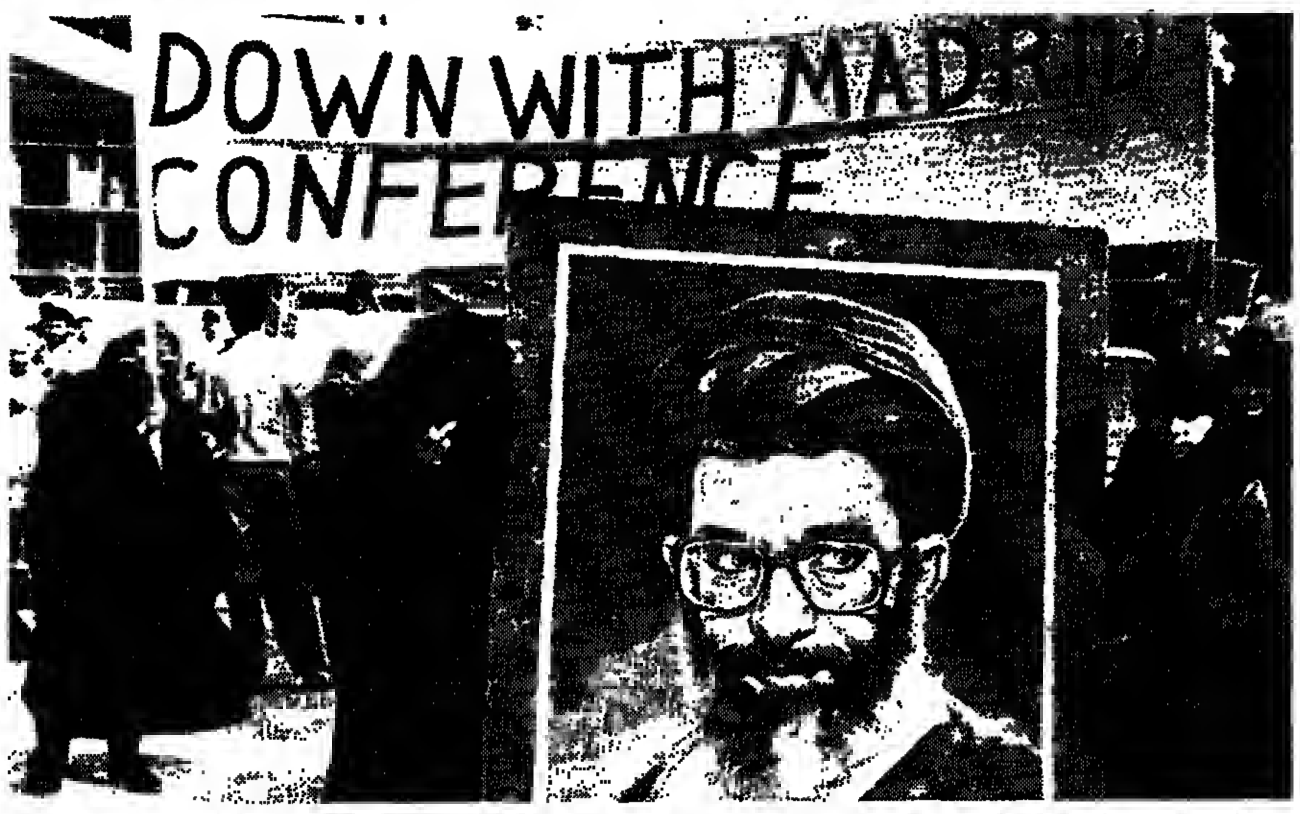
"Egypt is bound by historic, cultural ties and legal obligations with its Arab brethren, and the peace relationship with Israel," he told delegates in tha first keynote speech by an Arab representative.

Mr Moussa pledged to "help evolve a framework of a viable peace between the Arabs and Israel based on United Nations Security Council Resolutions 242 and 338, which require an Israeli withdrawal from Arah land in exchange for peace."

The Egyptian official's remarks came amid reports that Cairo would provide a venue for second-phase bilateral talks between Israel and the three Arab delegations – Syria, Lebanon and a joint Jordanian-Palestinian team.

Israel has pressed for bilateral discussions, which follow the ceremonial opening, to be moved back to the region as soon as possible.

But US and Soviet co-sponsors want these face-to-face talks to begin in Madrid in order to capitalise on the momentum generated by the opening.



Women protesters belonging to the Hizbollah movement carry a poster of the Iranian hardliner Ali Khamenei in Beirut yesterday

Iran denounces peace talks as treason

By Our Middle East Staff

IRAN'S supreme leader yesterday denounced the Middle East peace talks as treason and a leading Iranian hardliner urged Moslems round the world to kill those taking part.

Elsewhere in the region opponents of the Madrid conference staged demonstrations and there were clashes in the occupied territories.

Ayatollah Ali Khamenei, successor to Ayatollah Ruhollah Khomeini, said the historic talks between Israel and its Arab foes had been forced on the Moslem world.

"Those taking part in this treason will suffer the wrath of nations," he told military graduates in a speech broadcast by Tehran radio.

Denouncing the Madrid talks as a "declaration of war on Islam", hardliner Ali Akbar Mohtashemi told Iran's national assembly: "Based on Islamic *sharia* (law), all participants in the Madrid conference are considered *mohareb* (those who wage war on Islam) and they must face the death sentence). It is the duty of Moslems in the world to carry that out."

In the occnpied territories captured hy Israel in 1967, most streets were emptied hy a general strike call from fundamentalists and other radicals opposed to the peace talks.

Militant youths stoned Israeli patrols in some areas. But mainstream supporters of the Palestine Liberation Organisation forced shopkeepers to disobey the strike call in two West Bank towns.

Some 7,000 supporters of Mr Yassir Arafat, the PLO leader, defied fundamentalists in Gaza City and the nearby refugee camp of Khan Younis with marches backing the peace conference.

Israeli troops escorted the Gaza City marchers, although some carried Palestinian flags and knives which they would normally be arrested for displaying.

Residents said four members of the fundamentalist movement Hamas – the PLO's chief rival in the occupied territories – were stabbed hy backers of Mr Arafat.

In the West Bank city Hehron, Israeli troops shot dead a 19-year-old Palestinian. Israeli security officials said some 20 Palestinians were wounded by army gunfire in Gaza and 11 in the West Bank city of Nablus.

Gulf states may play vital role

By Victor Mallet in Madrid

THE presence of Gulf Arabs in the same room yesterday as Mr Yitzhak Shamir, the Israeli prime minister, is an event as remarkable, if not as momentous, as the peace conference itself.

Mr Abdullah Bishara, the Knwaiti secretary general of the six-nation Gulf Co-operation Council, and Prince Bandar bin Sultan, the Saudi ambassador to Washington, attended the opening session as observers in a show of goodwill which owes much to the new alliances forged by the Gulf war and to America's powers of persuasion.

Kuwait, Saudi Arabia and the other states on the Arab side of the Gulf found themselves bracketed with Israel as fellow-victims of Iraq during the war, and they felt betrayed by the numerous Palestinians who sided with Saddam Hussein.

But isolated calls in the Gulf for diplomatic relations with the Jewish state were soon silenced by deep-rooted Arab distrust of Israel and resentment about its control of Jerusalem, holy to Moslems as well as to Jews and Christians. In the last few weeks, Saudi Arabia is reported to *have* released some $11m to the PLO, the first such payments since the war - a reward for PLO willingness to talk about a *Middle East settlement.*

As paymasters of the PLO and Israel's Arab neighbours, and as allies of the US, the Gulf states could play a pivotal *role in the progress* of peace negotiations.

Syria has expressed grave reservations about attending Arab-Israeli multilateral talks *on regional matters.*

The GCC has said its members will attend the mulilateral discussions scheduled to begin by November 13, and the Americans and the Saudis are pressing Syria to attend the multilateral round.

Arab differences, however, may not be as deep as they appear. Few Arabs want to accord Israel the de facto recognition that would come with such regional talks without some sign of Israeli flexibility.

US diplomats - faced with an Israeli insistence that the multilateral round is an integral part of the peace process - are struggling to convene at least an initial multilateral meeting to choose the topics for future negotiations.

EC urges Israel to halt West Bank settlement

By Victor Mallet in Madrid

THE Europaan Community yesterday urged Israel to halt Jewish settlement of the occupied territories and called on Arab states to end their trade boycott of Israel as mutual "confidance-building measures" at the start of the peace conference.

Mr Hans van den Broek, the Dutch foreign minister and European Community repre*sentative at* the Madrid conference, told the Arab and Israeli delegates that yesterday was "a day thet marks a courageous step for each of you, and a giant leap for peace in the Middle East".

Reflecting the views of the 12 EC member states, Mr van den Broek took a stronger line against Israel than President Bush and raised issues which the US has carefully avoided. He said the EC's guiding principlee included "land for peace" - the exchange of Israeli-occupied *territory for* Arab recognition of Israel - and he reaffirmed EC support for an important United Nations role in the peace process. Israel has successfully restricted the UN to observer status in Madrid.

Mr van den Broek, referring to the UN-backed Gulf war which drove *Iraq* ont of Kuwait, drew a parallel between the restoretion of "legality" in the Gulf and the need for peace elsewhere based on the rule of law.

Arabs have repeatedly complained that the west has been eager to enforce UN resolntions against Iraq but not those calling for an Israeli withdrawal from occupied *territory*.

The Dutch foreign minister said it was important that beth the Palestinians (whom he described as the "principal victims" of the *Arab-Israeli* dispute) and the Israelis should show restraint in the occupied territories. He also called on Israel to abide hy the provi*sions of the fourth Geneva* convention, which governs the behaviour of an occupying power.

"Let us today take to heart the one all-important lesson that the past has to teach," he said. "It is that this chance for peace is too precious to be wasted. It will perhaps not return in our lifetimes. There must be no turning back."

'Time need not be the enemy . . .'

This is an edited version of US President George Bush's address to the peace conference yesterday:

OUR objective must be clear and straightforward. It is not simply to end the state of war in the Middle East and replace it with a state of non-belligerency. This is not enough; this would not last . . . What we seek is a Middle East where vast resources are no longer devoted to armaments. A Middle East where young people no longer have to dedicate and, all too often, give their lives to combat. A Middle East no longer victimised by fear and terror.

The fact that we are all gathered here today for the first time attests to a new potential for peace.

Peace will only come as the result of direct negotiations, compromise, give-and-take. Peace cannot be imposed from the outside by the United States or anyone else . . . We come here to Madrid as realists. We do not expect peace to be negotiated in a day, or a week, or a month, or even a year. It will take time; indeed, it should take time – time for parties so long at war to learn to talk to one another, to listen to one another. Time to heal old wounds and build trust. In this quest, time need not be the enemy of progress.

What we envision is a process of direct negotiations proceeding along two tracks, one between Israel and the Arab states; the other between Israel and the Palestinians. Negotia*tions* are to be *conducted* on the basis of UN Security Council Resolutions 242 and 338.

The real work will not happen here in the plenary ses*sion, but in direct bilateral* negotiations . . . Soon after the bilateral talks commence, parties will convene as well to organise multilateral negotiations. These will focus on issnes that cross national boundaries and are common to the region: arms control, water, refugee concerns, economic development.

For Israel and the Palestinians, a framework already exists for diplomacy. Negotiations will be conducted in phases, beginning with talks on interim self-government arrangements. We aim to reach agreement within one year. And once agreed, interim self-government arrangements will last for five years; beginning the third year, negotiations will commence on permanent status.

No one can say with any precision what the end-result will he; in our view, something must be developed, something acceptable to Israel, the Palestinians and Jordan, that gives the Palestinian people meaningful control over their own lives and fate, and provides for the acceptance and security of Israel.

We can all appreciate that both Israelis and Palestinians are worried about compromise, worried about compromising even the smallest point, for fear it becomes a precedent for what really matters. But no one should avoid compromise on interim arrangements for a simple reason: nothing agreed to now will prejudice permanent status negotiations.

Peace cannot depend upon promises alone. Real peace – lasting peace – must be based npon security for all states and peoples, inclnding Israel. For too long, the Israeli people have lived in fear, surrounded hy an unaccepting Arab world. Now is the ideal moment for the Arab world to demonstrate that attitudes have changed.

We know that peace must *also* be based on fairness. In the absence of fairness, there will be no legitimacy – no stability. This applies above all to the Palestinian people, many of whom have known turmoil and frustration above all else. Israel now has an opportunity to demonstrate that it is willing to enter into a new rela*tionship with its Palestinian* neighbours; one predicated npon mutual respect and co-operation.

I know, I expect we all know, that these *negotiations* will not be easy . . . Negotiation and compromise are always painful. Success will escape us if we focus solely upon what is being given up. We *must fix* our vision on what real peace would bring.

Outsiders can assist, but in the end, it is up to the peoples and governments of the Middle East to shape the future of the Middle East.

Israelis prove a potent force in battle for media hearts and minds

Palatable face of PLO propaganda

By Hugh Carnegy and Tony Walker in Madrid

"SHE's good, she's very good. *She* comes across well on the television. Sbe's interesting and she has a palatahle and moderate message."

Mr Bruce Kashdan, director *of* public *affairs* at the *Israeli* foreign ministry, was speaking not of one of his many Israeli colleagues skilled in the ways of media management but of a 45-year-old university professor who has emerged as the most effective advocate of the Palestinian cause in years.

Mrs Hanan Ashrawi faces a difficult task in combating the full weight of Israel's well-practiced propaganda machine, but Madrid conference rules whicb allow equal time for formal press briefings are helping the Palestinian spokeswoman to redress the balance.

Television viewers used to seeing the bearded and gesticulating Mr Yassir Arafet as the most visible face of the Palestinian cause ere now being presented with an English literature professor from the occupied West Bank coolly putting the Palestinian case.

Both the Israelis and Palestinians know that the media *battle* at the *Middle East peace* conference is almost as important as the talks themselves, et least in the early stages before snbstantive negotiations get under way.

Mrs Ashrawi is a relatively new and appealing face butshe is up against e formidable opponent in Mr Binyamin Netanyahu, Israel's depnty foreign minister, whose role as one of Israel's most forceful spokesmen was confirmed by his performance in tbe Gulf War.

A former UN ambassador and graduate of the Massacbusetts Institute of Technology, Mr Netanyahu has perfected the craft of delivering his message pugnaciously in made-for-television sound hites. His prominence in the Israeli dele*gation is due to his ebility* to ward off difficult questions while repeatingthe party line and to his closeness to Mr Yitzhak Shamir.

Bibi, as he *is known* in Israel where be was recently voted the country's sexiest man in a popular newspaper poll, is backed hy a formidahle *hasbara*, or information, apparatus. At the Israelis' glitzy hotel in Madrid, reporters and photographers have full access to dozens of spokesmen and specialists on subjects ranging from arms control to water resources. The Israelis bave also established a press room with banks of telephones and assistants.

By contrast, the Palestinian delegation is housed in a more modest hotel shielded by armed Spanisb security guards who make It difficult for reporters to gain access to delegates. This is partly at the request of the Palestinians *since they are not anxious for* some of their more volatile and outspoken delegates to be at the prey of the hordes of journalists roaming Madrid.

Mrs Ashrawi acknowledges deficiencies in the Palestinian effort. As she said yesterday: "We apologise if sometimes we are not the best and most efficient. This is a people'a delegation. We do not have the back-up of government."

She also complained that Palestinian specialists and advisers like herself were not being adeqnately protected in spite of threats to their lives from militant groups backed by countries like Iran, Iraq and Libya. "We are extremely vulnerable," she said.

Referring to "death sentences" passed on the Palestinian delegates by radical Iranian clerics, Mrs Ashrawi said the only answer was to achieve progress in the peace talks.

Israel conscious of weak card among its aces

Mr Shamir's options at the table are limited by an economy prone to pressure, writes **Hugh Carnegy**

IN many respects, Israel came to the peace conference in e position of strength. It bolds tbe assets – the occnpied territories – which are the main subject of dispute and it has the military power to defend tbem.

In one crocial area, however, Israel *has a glaring weakness – its susceptibility* to external economic pressure.

For years, Israel's beavy dependence on US aid has in theory made it vulnerable to economic leverage. In practice, Washington cbose not to link pollitical issues to aid.

But the picture has changed dramatically. In the first place, Israel's dependence on external funding is about to increase enormously. Over the next five years, it plans to borrow more than $20bn (£11.6bn) overseas to help cover the cost of absorbing hundreds of thousands of Soviet Jewisb immigrants who have been pouring into the country since late 1989.

Second, Washington bas now clearly established a link between Israel's stance in the peace process and aid. President George Bush's insistence on postponing Israel's request for US loan guarantees to back borrowing of $10bn in American markets was not only a rude shock to the Israeli government. It was clearly e factor in persuading Mr Yitzhak Shamir, the prime minister, to come to the conference table in Madrid.

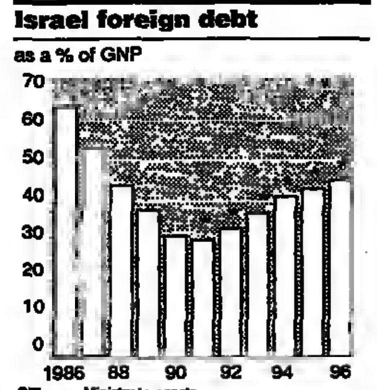
Israel has felt forced for several reasons to look overseas for a large chunk of the capital It needs to convert into productive output the undisputed economic potential of the 1m highly-educated Soviet Jews it expects to arrive by mid-decade.

Mr Yitzhak Moda'i, the finance minister, is pushing for structural reforms, sucb as privetisation, which are a vital part of the effort to generate growth. But even the most successful programme of liberalisation will not be enough to cope with a leap in population of one quarter. Israel has already managed to provida employment for 53,000 immigrants among those already on the job market. But many are in menial jobs and 33,000 are still unemployed.

Nor can the domestic market provide the scale of funds required – especially given tbe government's desire to scale down Its historically dominant role in the capital markets.

Israel foreign debt

as a % of GNP



*Finance Ministry forecasts

Room for stringent budgetary cuts is also narrow because of the already large commitments to debt servicing and the government's determination to maintain its big defence allocation.

At first glance, economic performance looks quite good. Real growth in gross national product this year is set to be around 6 per cent, with business sector growth projected at several points more. The foreign debt to GNP ratio is down to less than 30 per cent from 76 per cent in 1985. Foreign currency reserves are strong. Government officials, stung by suggestions recently in the US that Israel might heve problems servicing the huge extra borrowing, eagerly point ont that Israel rose from 69th place to 38th in Euromoney's 1991 country risk rankings published in September. But *this is only half* the story. The external debt to GNP ratio is set to climb steeply again, projected to peak at more than 47 per cent in 1996. Servicing this, assuming the borrowing is done on the favourable US-backed terms, will reqnire annnal GNP growth over the period of 8 per cent to 9 per cent.

More specifically, export earnings will need to grow by a whopping 12 per cent a year at a time when international trade is forecast to grow at only 4 to 5 per cent.

So far, the signs are not encouraging. This year, mainly due to the effects of the Gulf war, export earnings have actually declined. The trade deficit in the first eight months of the year hit $3.5bn (£2.03bn), a 72 per cent rise over the same period in 1990.

There are signs in the last two months of a pick-up in exports, and tourism has recovered strongly. But Mr Moda'i admits there is a very long way to go.

In addition to questions over performance, Israel is painfully aware that it is making its bid for $20bn at a most inauspicious time, when competition for funds worldwide is acute. US loan guarantees are vital.

He may not like it, but Mr Moda'i can be under no illusion about Israel's exposure to economic pressure in the peace process. At the recent World Bank and International Monetary Fund meetings in Bangkok, he says the message that Israel's borrowing demand would be linked to the negotiations was unrelenting.

"It was unanimous, like someone orchestrated the whole thing," Mr Moda'i said. Without question, the economy is the chink in Israel's armour at the peace conference.

As Mr Moda'i says: "We base all our plans – without getting permission from the US to do so – on our belief that the guarantees will come through." If Israel chooses a hardline stance in defiance of the US, it will be at the risk of considerable economic hardships for Israelis.

Vietnam brings a fattened dollar to market

By Stefan Wagstyl in Ho Chi Minh City

MR Nguyen Duy Lo, the chairman of the newly-opened foreign currency exchange in Ho Chi Minh City, tries hard to bring his market to life. But it is not easy when everyone wants US dollars and few people want Vietnamese dong.

With fans whirring above his head, Mr Lo warns traders it is illegal to hoard dollars or to use them for anything except for authorised imports. Speculation is out, he says sternly.

The traders stare nonchalantly as if tha chairman's words had nothing to do with them. One lights a cigarette; another reads a newspaper.

About 20 traders, representing state-owned banks and enterprises, sit around a Formica-topped table – the scene of socialist Vietnam'a latest move to a market economy. They meet in a small room in the HCM City branch of the Bank of Vietnam, the central bank. In its hey-day, this neo-classical pile of stone and marble standing on the banks overlooking the Saigon River was the headquarters of the central bank of South Vietnam. Its size is out of all proportion to the scale of the activities it now houses.

The foreign currency exchange, which opened in August, meets just twice a week, Tuesdays and Fridays. Mr Lo starts by calling out an opening rate and the size of hoy and sell orders. A woman official chalks the numbers on a hlackboard.

This Tuesday, there was no dealing at the opening rate. Traders sat quietly as Mr Lo repeated his warnings and called out successively lower rates for the dong. As he spoke new numbers appeared on the blackboard. The market finally cleared at 12,450 dong to the dollar, down from 12,270. The volume was $260,000.

Currency is also traded directly through banks or sometimes on the black market. Foreign bankers estimate there could be $500m in dollar bills squirrelled away, and 12 per cent on dollar bank deposits tempts few people to bring out their cash.

Nevertheless, tha foreign currency exchange shows the communist government's commitment to reform. A second exchange is due to open in Hanoi this year. "It's good to get people familiar with trading currencies," says one foreign dealer. The government sees the exchange as a step towards introducing market forces into the state-run financial system.

Over the past three years, the central bank has almost eliminated the gap between the official exchange rate and the black market rate. Mr Nguyen Ngoc Oanh, the deputy central bank governor, says: "The unreal exchange rate discourages trade and foreign investment. Now we have a real rate of exchange." But he adds it will be years before Vietnam has a fully convertible dong. First domestic prices need to be stabilised – consumer prices are rising at an annual rate of about 75 per cent – and the current account deficit needs cutting.

The government is so alarmed at the recent surge in imports and decline in the dong that this week it said it would enforce a ban on enterprises trading dollars with each other: only dealing through banks or the exchange will be permitted.

Mr Oanh concedes more fundamental financial reform is required. The break-up of rural collectives and the growth of private businesses in town has stimulated economic expansion since 1987.

But the financial system headed by the central bank and four state-owned banks is almost entirely committed to supporting publicly-owned enterprises, which can borrow at artificially low rates. State-owned industry produces some 26 per cent of GDP but consumes 86 per cent of all credit, according to official statistics.

Meanwhile, foreign exchange trading is giving Vietnamese businessmen a taste of the services foreign banks can offer. Seven foreign banks have opened representative offices since early 1990, including Crédit Lyonnais and four other French banks, Standard Chartered Bank of the UK, and the Thai Military Bank. They, and up to 10 other foreign banks have sxpressed interest in opening branches.

The governmsnt has indicated around five may be chosen to apply for licences before the year-end.

Despite their presence, however, Vietnam's financial system will remain primitive. Even in big cities virtually all payments are made in cash, often in dong, stacked up like bricks and covsring half a desk. In the countryside, barter will long be more common than letters of credit.

Zambia's Copperbelt ready for change

By Patti Waldmeir in Kitwe

"THE PEOPLE hava awakened from their slumber," says Mr Martin Chembe, describing the state of Zambia on the eve of today's multi-party electiona, which threaten to end the 27-year rule of President Kenneth Kaunda.

On the Zambian Copperbelt, where Mr Chembe edits the country's trade unioo newspaper, The Workers' Voice, the stultifying political culture of the one-party state has given way to animated debate and a oew optimism. In this most politically volatile province – which ia expected to vote heavily in favour of the opposition Movement for Multiparty Democracy (MMD) – miners and taxi drivers, secretaries and their bosses are demanding better government.

In the miners' compound at the Nkana copper mine, near the town of Kitwe, a mine policeman, Mr Cliff Matembela, is eager to speak his mind. That, in itself, marks a new departure. For until the country'a democracy movement gathered strength last year – emerging first on the Copperbelt, the base of union leader and MMD presidential candidate Mr Frederick Chiluba – ordinary Zambians kept their political opiniona to themselves.

Now, they volunteer them. In every taxi and every bank qneue Copperbelt residents predict the result and worry over the threat of electoral violence. They are openly critical of Mr Kaunda's United National Independence Party (UNIP), which has ruled unchallenged since Zambia became a one-party state in 1973. They complain of corruption, nepotism, and economic mismanagement.

Previously, such criticisms went unheard: for although repression was not harsh by African standards – Mr Kaunda has shown clemency, even to those who plotted coups against him, eschewing the executions common in West Africa – critics found avenues to career advancement and wealth blocked by UNIP, which controlled state sector appointments.

President Kenneth Kaunda meeting some of his supporters north of Lusaka during some last-minute electioneering for today's poll

Certainly, Copperbelt residents have ample cause for complaint: for this is the seat of Zambia's wealth, where 420,000 tonnes of copper are produced yearly to earn 85 per cent of the country's foreign currency. Yet, the Copperbelt towns have not escaped economic decline: neglect is obvioos, in the broken lifts and unlit stairways of local office buildings, the cracked windscreens and akewed sospensions of the taxis, the despondent queues ontside drugless clinics and empty shops.

Copperbelt residents seem likely to vote in large numbers to reject this legacy of gloom – though the poll could well prove mnch closer in rural areas and provinces outside this MMD stronghold. But in the Copperbelt, MMD officials are convinced that, unless intimidation prevents a fair vote, they will sweep the board.

Asked why, MMD supporters reply with striking, disconcerting unanimity: "We want a change." Many say thay believe Mr Kaunda, independent Zambia'a only president, was a good leader hut stayed too long in power. They blame him for appointing heads of state corporations according to loyalty, rather than competence, and condemn the culture of sycophancy which grew up around him – though some worry that the MMD will follow the habits learned from him if it wins the election.

Many MMD supporters see political pluralism as simply a path to power and patronage; they would replace one set of autocrats with another. The danger is that, however fair the poll (to be monitored by scores of international observers), MMD supportera in the Copperbelt and other opposition centres may not accept the result. MMD leaders say they fear violence in mining areas, where 1986 food riots marked the first stirrings of opposition.

"We cannot expect peace at that time," says Mr Chitalo Sampa, MMD candidate in Kitwe. "The tempers of the people are so high, and they are expecting the MMD to win."

Iraqi Kurds worry about withdrawal of services

A LEADER of Iraqi Kurds said yesterday Baghdad had withdrawn troops as well as public services from Kurdish areas. He cautioned that the moves might be ploys in the negotiations for Kurdish autonomy, AP reports from Ankara.

Mr Jalal Talabani, who heads the Patriotic Union of Kurdistan (PUK), told a news conference that Iraq had atarted withdrawing troops from Suleimaniyah, Erbil, Aqra, Kalar and Kifri – "parts of what it considers is the autonomous Iraqi Kurdistan". But, he said, Baghdad left soldiers in Mosul and Kirkuk, key oil centres.

There was no immediate independent confirmation of the pullout nor an indication of how many troops were withdrawn.

While welcoming the troop pullont, Mr Talabani condemned what he said was a simultaneona end to pnblic services, inclnding the removal of doctors, ourses and teachers.

He called on the weat to intervene and stop what he called the "economic war Baghdad has started waging on 3m Kurds".

He interpreted tha withdrawal of services as a ploy to force the Kurds to seek accommodation with Baghdad.

Talks have appeared deadlocked between the nmbrella Kurdistan Front and President Saddam Hussein's government since June.

However, Mr Talabani's main rival, Mr Massoud Barzani, recently reported soma progress. One sticking point has been Kurdish insistence that Kurds control Kirkuk. There are also doobts about democratisation promises by President Saddam.

Seoul seeks to restrict growth to 8%

By John Ridding in Seoul

SOUTH KOREA will try to limit economic growth to 8 per cent next ysar in a hid to restrain inflation and improve the balance of payments, the country's top economics official said yesterday.

Mr Choi Gak Kyu, the deputy prime minister and minister for economic planning, said the governmant would use tight monetary policy and urge wage restraint to achieve its targets of 8 per cent growth in gross national product and an inflation rate of between 7 and 8 per cent.

The overheating economy is likely to see GNP expand hy about 9 per cent this year and an official inflation rate of just under 10 per cent. Mr Choi forecast that the current account deficit would increase to $8bn from $2.18bn last year.

Korean industry has been suffering as a result of the government's relatively tight control of the money supply, which has seen growth targets for M2 limited to between 17 and 19 per cent this year.

Short-term borrowing rates have approached 20 per cent and there has been s sharp increase in the number of companies facing financial difficulties.

"As the government pursues a stability-first policy, anterprises will suffer a lack of financing," admitted Mr Choi. "I believe they should overcome such difficulties by themselves, by restructuring their financial and investment plans and by disposing of real estate and other properties."

But he called on Korea's commercial banks to increase the share of their loans they supply to small- and medium-sized companies.

Australia's rigid wage bargaining faces reform

By Kevin Brown in Sydney

AUSTRALIA'S industrial relations system is likely to change dramatically over the next decade following a decision by the Industrial Relations Commission yesterday which will allow direct bargaining between companies and employees.

The decision loosens the centralised system of pay bargaining which has governed Australian industrial relations since the continent's six former British colonies federated in 1901.

Many employers will be able to negotiate directly with their workers for the first tima, rather than simply accepting decisions handed down by the commission after submissions hy employer and trade union representatives.

The commission, a judicial tribunal set np to oversee the centralised system, reversed an earlier decision in April in which it said employers and unions were "not mature enough" to bargain directly.

However, the five-man bench said company-level agreements would have to be presented to the commission for endorsement, to ensure they do not breach its complex system of awards and regulations.

The commission said it had reservations about changing the system, but accepted that decentralisation was supported by all three parties which made snhmissions – the government, the employers' associations and the Australian Council of Trade Unions.

The practical problems of operating a partially decentralised system within the centralised framework are to be considered next May hy a conference of government, employer and union representatives.

The decision was welcomed by employers and unions, in spite of disagreement about how the decentralised system should be implemented. The Confederation of Australian Industry (CAI), wants the commisaion to stop making national wages awards, while the unions favour continoed centralised bargaining combined with company level negotiations on productivity.

The unions have agreed with the government that wage increases will be limited to an average of around 5 per cent in the year to the end of June 1992.

Inflation forecast to fall to less than 1.5% a year

AUSTRALIAN inflation fell to 3.3 per cent in the threa months to September, and is likely to fall below 1.5 per cent in the last quarter, the government said yesterday, Kevin Brown reports.

The fall makes an easing of monetary policy virtually certain. The Reserve Bank is expected to cut interest rates by 100 basis points after its board meets on Tuesday.

The government said the Consumer Price Index rose by 0.6 per cent in the September quarter, the fourth rise of less than 1 per cent in the last five quarters.

The annualised rate dropped from 3.4 per cent to 3.3 per cent, the lowest for 20 years. More important, the underlying rate of inflation fell by 0.5 per cent to 3.7 per cent, also the lowest for 20 years.

The biggest components of the fall were lower compulsory car insurance premiums in New South Wales, and a cut in mortgage interest charges, which contributed to the first annual fall in housing costs for 30 years.

The figures provide soma good news for Mr Bob Hawke's Labor government, which has been under pressure from the trade unions and some business leaders to cut interest rates to help the economy out of recession.

Official interest rates have fallen nine times since peaking at 18 per cent in January 1990. The last easing was in early September, when rates fell 100 basis points to 9.5 per cent.

France and Belgium to pull out troops from Zaire

FRANCE and Belgium said yesterday that all their troops would he withdrawn from Zaire within weeks, as the central African country teetered on the brink of turmoil, Reuter reports from Brussels.

The French defence ministry said it would withdraw its remaining 150 troops from Zairs today while Balgium – the former colonial power – said it would pull out within a few weeks after completing the evacuation of its nationals.

A Belgian foreign ministry spokesman said the government had not yet decided on an exact date for the withdrawal of some 800 commandos sent last month with French forces to bring out thousands of foreigners.

Belgian military sources said there were more than 1,000 Belgians still in Kinshasa waiting to be airlifted to safety.

France has already broken off co-operation with Zaire, which has heen ravaged by looting in which at least 200 people have died. President Mobutu Sese Seko is locked in a power struggle with the opposition after 26 years of rule that has brought economic ruin to the country.

AMERICAN NEWS

Congress near decision on bank reform

By George Graham in Washington

CONGRESS was last night nearing a decision on legislation to overhaul the US banking system, amid last-minute wrangling over the scope of the reform.

Debate on the bank reform bill, which would provide up to $70bn (£40.6bn) of new funding for insuring bank deposits and could radically broaden the business activities banks are allowed to undertake, was expected to begin in the House of Representatives last night. A vote could come today.

The Senate could also open debate on its version of the bill today, but is more likely to begin next week.

Although congressmen are still unsure how the legislation will emerge from the debate, the administration is already worried that the bill will not achieve the widespread reforms it has sought. It has threatened to veto the entire bill rather than accept a version which it finds inadequate.

The bill that will come to the house floor covers five main areas of reform:

- Refinancing the bank insurance fund, which is expected to run out of money next year at the latest under the burden of paying out to depositors in collapsed banks.
- Reforming the rules on deposit insurance, which is seen as giving excessive guarantees to depositors.
- Streamlining and stiffening bank supervision.
- Allowing banks to open branches in other states.
- Allowing banks into the securities business.

A provision to let commercial businesses own banks has been abandoned.

Congressman Chalmera Wylie, the senior Republican on the House banking committee, is, however, expected to propose an amendment allowing commercial companies at least to take over failing banks.

The most controversial clauses of the bill are expected to be those letting banks enter the securities business, from which they have been barred since the Glass-Steagall Act of 1933. The Treasury has argued that this is essential to allow banks to regain profit opportunities they have lost with the transformation of the financial services industry.

Two influential committee chairmen, Congressmen Henry Gonzalez and John Dingell, have reached a compromise on this provision which, although it repeals Glass-Steagall, is even more restrictive than the existing law, according to the Treasury.

Fall in US home sales

US HOME sales dropped 13 per cent last month, overshadowing news of a solid increase in consumption and adding to fears that the economy is beginning to stall after a recovery in the third quarter, George Graham writes from Washington.

Sales of new homes fell to an annual rate of 446,000 in September, down 13 per cent from August's rate of 512,000, itself revised downwards substantially in the light of new data, the Commerce Department announced yesterday.

At the same time, however, the department said that personal incomes rose 0.5 per cent in September to an annual rate of $4,846.7bn (£2,818bn), helping fuel a 0.9 per cent rise in personal consumption spending.

Optimism that stronger consumer spending might help to fuel the economic recovery was tempered by an announcement by the Conference Board economic analysis group, that its index of consumer confidence dropped this month to its lowest level since the Iraqi invasion of Kuwait a year ago.

September saw higher spending on durable goods, including car purchases, after a slack August. Early evidence from October, however, shows this may have tailed off again.

New-ideas man must fight hillbilly handicaps

Arkansas is the biggest obstacle between Governor Bill Clinton and the presidency, writes Lionel Barber

GOVERNOR Bill Clinton of Arkansas has long ranked as one of the most promising chief executives in the US. Blessed with boyish good looks, an infectious charm and a ravenous appetite for new ideas (he claims to have once read 300 books in a year), "Slick Willie" has never made much secret of his ambition to run for president.

The chief obstacle to his quest for the Democratic nomination can be summed up in one word: Arkansas. It is the smallest state between the Mississippi and the Pacific; its 2.8m population is smaller than that of nearby Houston; and it is poor. Arkansas ranks near the bottom of all national lists on education, per capita income and quality of jobs.

Arkansans such as Mr William Fulbright, the powerhouse chairman of the Senate foreign relations committee in the 1960s, and Senator Dale Bumpers, still a force today but less so than 10 years ago, overcame these hillbilly handicaps through will and brainpower. Mr Clinton, still only 45, has a bit of both; but his main quality is that he is ready to challenge the 20-year-old liberal Democratic orthodoxy which has led the party to five defeats in the past six presidential elections.

Mr Clinton talks less about minorities and more about the "forgotten middle class". He talks about civil rights such as the right to an abortion and to action against unfair discrimination; but he stresses responsibilities, too. If someone drops out of school in Arkansas without proving special hardship, they lose their drivers' licence. Unwed mothers can put the name of the child's father on birth records, allowing state authorities to enforce child support payments.

Occasionally, Mr Clinton's taste for new ideas can lead him into numbing jargon or gimmickry. (Just why was it necessary to change Arkansas from "The State of Opportunity" to "The Natural State"?) But his great achievement was to put his post-liberal ideas into practice during the 1980s when President Ronald Reagan slashed federal support for the states.

Bill Clinton announcing his candidacy: stresses civil rights, and responsibilities as well

Between 1960 and 1980, federal funds accounted for 35.9 per cent of annual state spending in Arkansas; by 1988, the figure had dropped to 21 per cent of the state budget. Ms Betsey Wright, formerly chief of staff to the governor, recalls that Mr Clinton relished the job of reordering priorities, reinventing government.

The high point came in 1983, when he pushed a tax package through the Arkansas legislature which gave a kick-start to education reform: smaller classes, longer school days, a longer school year, a core curriculum built around more maths, English and science, testing for pupils – and, most controversial of all, testing for teachers.

Critics claim school standards remain too low. But drop-out rates have slowed significantly, and many more children are going to college.

Ms Cora McHenry, executive director of the Arkansas Education Association, the teacher's body, says Mr Clinton changed tha the view among ordinary Arkansans that educated children spelt trouble, because they disrupted the family and undermined a compliant, low-wage labour force.

Professor Diane Blair, of the political science department of the University of Arkansas, recalls asking a timber industry executive if he supported the education reform bill. "No, honey," said the businessman, "I have an investment in ignorance."

Together with his wife Hillary, an able lawyer, Mr Clinton travelled thousands of miles to put the case for education in a global market place. Both have promoted new ideas to help children remain in school and college. These include coaching parents not just on teaching children to read but also to eat regular meals.

Mr Ernie Dumas, a political columnist at the recently closed Arkansas Gazette (1819-1991), says the single greatest doubt about Mr Clinton is his toughness. Ms Wright, who says Mr Clinton was not ready to run in 1988 and has been slow to organise in 1992, reckons his desire to be nice to people is his "greatest strength but also his greatest weakness". Mr John Robert Starr, tha political columnist for the Arkansas Democrat (now turned Democrat-Gazette), says, simply: "Clinton is a big wimp."

Mr Clinton has certainly been influenced by strong women, including his mother (he lost his father in a car crash in his infancy), his wife, and Ms Wright. Rumours persist that he likes to be surrounded by women.

Mr Clinton is too smart to become the Gary Hart of the Ozarks in 1992, but his political opponents believe that past indiscretions (which the governor implicitly concedes) may catch up with him. Mr Sheffield Nelson, who lost to Mr Clinton during last year's gubernatorial race, says there is enough damaging material to blow Mr Clinton out of the presidential campaign.

Mr Nelson, whose snarling sense of humour ("Bill Clinton would not go to the restroom before taking a poll") is worthy of J.R. Ewing, predicts that President George Bush would trounce Mr Clinton in his home state next November, even assuming the improbable, that the governor won tha Democratic nomination.

Maybe. But Mr Clinton has shown that, like Mr Bush, be has a talent for practising the art of political compromise. If he could match Mr Bush's mean streak, he would have a better chance of becoming the Democratic candidate in 1992 – and an even better shot in 1996.

Call for Guyana poll to be postponed after row on voters list

DISAGREEMENT between the government of Guyana, the political opposition, electoral officials and international observers has surfaced only weeks before the scheduled date for elections, writes Canute James in Kingston.

The row is over amendments to an allegedly incorrect list of voters for the December election and has threatened to provoke a political and constitutional crisis in Guyana.

The elections are constitutionally due to be held by the end of December. However, the government has been unyielding over appeals that they be postponed in order that amendments can be made to the list.

Both the government and opposition have stated they wish the impending vote to be the fairest yet in the English-speaking republic of 900,000 people, located on the north-east shoulder of South America.

The voters list has allegedly been discovered to be flawed, with several thousand wrong or missing names.

The opposition, with support from international observers from the United States, have asked for a postponement of the elections until March of next year. This has been rejected by both the government and the electoral commission.

The commission says errors on the list can be corrected in time for the vote by the end of the year. However, the government is adamant that parliament, which is the only authority able to delay the elections, has been dissolved and will not be recalled.

The matter has become very sensitive, mainly because of a series of unproven allegations that the incumbent administration, that of President Desmond Hoyte's Peoples National Congress, has retained office in recent elections only through fraudulent methods.

Mr Hoyte has consistently rejected the charges, but has said the government will ensure that the impending vote is "transparent".

Spokesmen for the opposition parties have suggested that unless they are satisfied with the composition of the voters register, they will consider instructing their supporters to boycott the forthcoming election.

They also say that after his public commitment to a clean election, the least President Hoyte could do is to have the parliament recalled.

WORLD TRADE NEWS

Shell offshoot signs deal to build Thai refinery

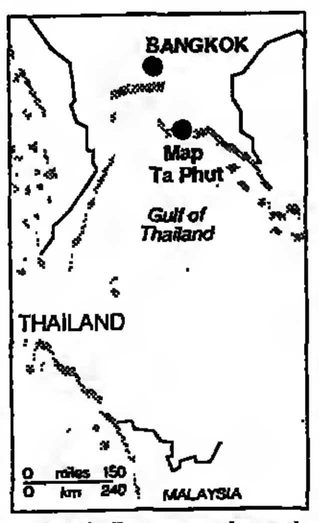
By Peter Ungphakorn in Bangkok

SHELL Thailand, the wholly-owned subsidiary of the Anglo-Dutch Shell Group, yesterday signed a contract with the Thai government to build a 145,000 barrels-a-day oil refinery at Map Ta Phut, south-east of Bangkok.

The signing marks the beginning of a new phase in refinery expansion in Thailand and ends several years of controversy. The project is also innovative in Thailand because 30 per cent of the equity should be floated on the Thai stock market by tha year 2000.

Shell Thailand will initially have a 64 per cent stake in the refinary, with the state-owned Petroleum Authority of Thailand (PTT) holding the rest.

By the year 2000, Shell's stake should be reduced to 45 per cent and PTT's to 25 per cent.



With the Shell project out of the way, negotiations with Caltex can proceed for a new 136,000 b/d refinery to be set up under similar terms, also probably at Map Ta Phut, an area for petroleum-based industry being developed on Thailand's eastern seaboard.

The previous Thai government of Gen Chatichai Choonhavan originally required Caltex to build its refinery in a new development area in southern Thailand, where a natural gas pipeline was to come ashore for the gas fields in the Gulf of Thailand.

To compensate for the commercially less attractive site assigned to Caltex, Shell was to have been forced to accept a Caltex stake in its Map Ta Phut refinery.

Neither Shell nor Caltex were happy with these conditions, but the present government of Mr Anand Panyarachun, installed after the coup d'état in February, relaxed the restrictions.

Esso, which already has a refinery in Thailand, is negotiating an expansion which would not require the participation of PTT. Shell and Caltex will retain their minority shares in Thai Oil, the refining company in which PTT has a majority stake.

US leaders cautious over Gatt prospects

Nancy Dunne and David Dodwell perceive a shift in attitudes to the Uruguay Round

GATT

MR Robert Morris, senior vice president of the US Council for International Business and an advocate for reform of the world trading system, is less than mellow about the outlook for the Uruguay Round of Gatt talks.

"It's not worth fighting another protracted battle through Congress if we only have a 'mini-result'," he said. "It would be better to shift our energies to pressing for a successful North American Free Trade Agreement."

This cautious mood is widespread in Washington as negotiators from the US Trade Representative's office descend on Geneva's Gatt meeting rooms, for the final push for a new, ambitious multilateral pact.

The stumbling block remains the willingness of European Community member states to liberalise farm trade.

For Mr Morris, the US Administration and American business alike, optimism is pegged to the recent signal from Germany's Chancellor Helmut Kohl that he is willing to back farm price reforms, overturning a commitment to stand by France in resisting liberalisation. This would rupture the so-called "blocking minority" that has frustrated progress on agriculture reform.

From the academic think tanks to the elegant offices of lobbyists to the trade agencies and Capitol Hill, the message is a unanimous call for a wide package of reforms offering immediate commercial value.

> "It would be better to shift our energies (from Gatt) to pressing for a successful North American Free Trade Agreement" – Robert Morris, senior vice president, US Council for International Business

Caution overlays the optimism about progress towards farm trade reform because Europe's agriculture ministers bsve yet to provide detailed evidence that any significant breakthrough has occurred. Washington itself is divided over the wisdom of taking a hard line on agriculture.

Administration trade officials continue to demand that liberalisation must be agreed in three areas: market access, domestic supports and export subsidies. However, an aide to the influential Senator Max Baucus, chairman of the international trade subcommittee, conceded that "there are limits on what is realistic."

Even more acceptable to Congress, he said, would be a commitment to bring agriculture under Gatt rules, an agreement to reduce or eliminate export subsidies and a freeze or reduction on other supports, he said. This view was echoed in a letter to Mrs Carla Hills, the US Trade Representative, from Congressman Richard Gephardt, the House Majority Leader, and four colleagues, in which they rejected any agreement eliminating US ability to impose import controls on farm products.

No one knows if the Administration will heed these signals from Capitol Hill, but there is almost no doubt it will bow to Congressional warnings not to negotiate away US authority to act unilaterally against perceived "unfair traders." Mr William Brock, former US Trade Representative, expressed the common attitude of a superpower not yet accustomed to its waning economic clout. Referring to the "Super 301" clause in the 1988 Trade Act provides for retaliation against countries deemed to practice unfair trade, he said: "Give up 301? Why should we? First give us good rules that won't be blocked."

> "The danger in a successful (Uruguay) round is that we will kid ourselves that our problems are solved" – Clyde Prestowitz, former negotiator in the US Commerce Department

The best that can be hoped is that the US will promise not to use unilateral measures if multilateral rules prove effective.

An important test of the public mood will be a Senate by-election on November 5 in Pennsylvania, where an underdog Democratic candidate, Senator Harris Wofford, is campaigning against Nafta. If ha wins – running against former US Attorney General and former Governor Richard Thornburgh – tha Administration will think hard before taking up the agreement during 1992.

While most in Washington expect a Uruguay Round agreement to pass comparatively smoothly through Congress, they argue that background circumstances could hardly be worse. The recession has the Administration "hunkered down" on the economic front, said one foreign diplomat, and in danger of turning inward.

The trade deficit with Japan is the single largest trade concern, and almost no one thinks Gatt will address that threat. Mr Clyde Prestowitz, former Commerce Department negotiator, believes even a large package of Round liberalisation will matter "only at the margin. . .If tha Round collapses, there is likely to be bitterness and recrimination," he said. "But the danger in a successful round is that we will kid ourselves that our problems are solved."

Senator Baucus has other plans for the post Uruguay Round era. He wants to convene immediately a "green round" to legalise good environmental practices in a regime of global trade.

Amax and Mitsui in new aluminium technology venture

By Kenneth Gooding, Mining Correspondent

AMAX, the third-largest US aluminium producer, is forming a joint-venture company with Mitsui, the Japanese trading group, to promote the licensing and sale of Amax technology, aiming particularly at the motor industry.

Nippon Light Metal, a leading Japanese aluminium fabricator, has decided to use the technology which will be sold through the joint venture company, called SSF Japan.

The Amax technology, covered by more than 60 patents, is known as semi-solid forging (SSF). It involves specially-processed aluminium billets forged into high-quality components with one stroke. Amax says the components have virtually all the detail of the finished part and need little, if any, further processing.

Mr Alan Born, Amax chairman, suggested in London yesterday the process would replace many components now made by casting aluminium. While the Amax process had the potential for use in many other applications, including aerospace and domestic appliance parts, the group was targeting the motor industry.

Some forecasters say demand from car makers will rise from about 150m lbs of aluminium last year to nearly 500m lbs in 1996. Nippon Light Metal predicts cars made in Japan will be 30-40 per cent aluminium by the year 2001, up from the present 4.7 per cent. In the US, the three big domestic vehicle producers, General Motors, Ford and Chrysler, are all using components employing the Amax technology.

Mr Born said he expected to sign a joint venture in Europe within a year. First production of components using SSF technology in Japan should be in 1993. Amax produced about 527,000 tonnes of primary aluminium last year.

EC in patent accord with South Korea

THE European Commission has been given authority to finalise a patent accord with South Korea which could lead to Seoul regaining preferential access to the EC market, Reuters reports from Brussels.

EC officials said the decision was taken on Tuesday at a meeting of energy ministers.

The EC struck South Korea from the list of countries benefiting from its Generalised System of Preferences (GSP) in 1988, after Seoul refused to extend to Community products improved intellectual property protection it had accorded to US products after a threat of sanctions from Washington.

The Commission will now be able to seal a draft accord negotiated with Seoul in September, under which Seoul will grant retroactive patent protection to EC products.

The Commission has proposed that once the deal is finalised, South Korea should be restored to the GSP list from 1992. EC manufacturers complain they lose millions of dollars every year through illegal copying of their products.

Leipzig Fair on the move

AFTER a run of more than 800 years in the centre of Leipzig, the bi-annual Leipzig Fair, so familiar to east-west traders, is to be moved to site outside the eastern German city, writes Leslie Colitt in Berlin.

Opposition to the mova is intense in a city which has virtually lived off its fairs since 1165.

Opponents of the move say the greenfield site will guarantee yet another faceless "container fair", but Mr Kurt Schoop, the interim director of the Leipzig Fair, says a time-consuming modernisation of the obsolescent infra-structure at the Technical Fairgrounds, including the Soviet pavilion (left) with its gilded Stalin-era tower, would have permanently repelled exhibitors and visitors alike.

Mr Jürgen Möllemann, German economics minister, promised DM300m (£103m) for the project but other German cities fear subsidies for their trade fairs are reduced.

China in talks to buy 11 wide-body Airbuses

By Paul Betts, Aerospace Correspondent

AIRBUS INDUSTRIE, the European aircraft manufacturing consortium, has made a breakthrough in the Chinese market with preliminary agreements to sell 11 of its new long-range A330/A340 wide-body aircraft worth more than $1bn (£580m) to China Aviation Supplies (CASC), the purchasing arm of the Civil Aviation Administration of China.

The provisional agreements, involving six A330 twin-engine wide-body aircraft and fiva A340 four-engine airliners, are the first sales of the new Airbus wide-body A330/A340 family of aircraft to China. The European consortium has already sold its older A300 and A310 airliners to the Chinese.

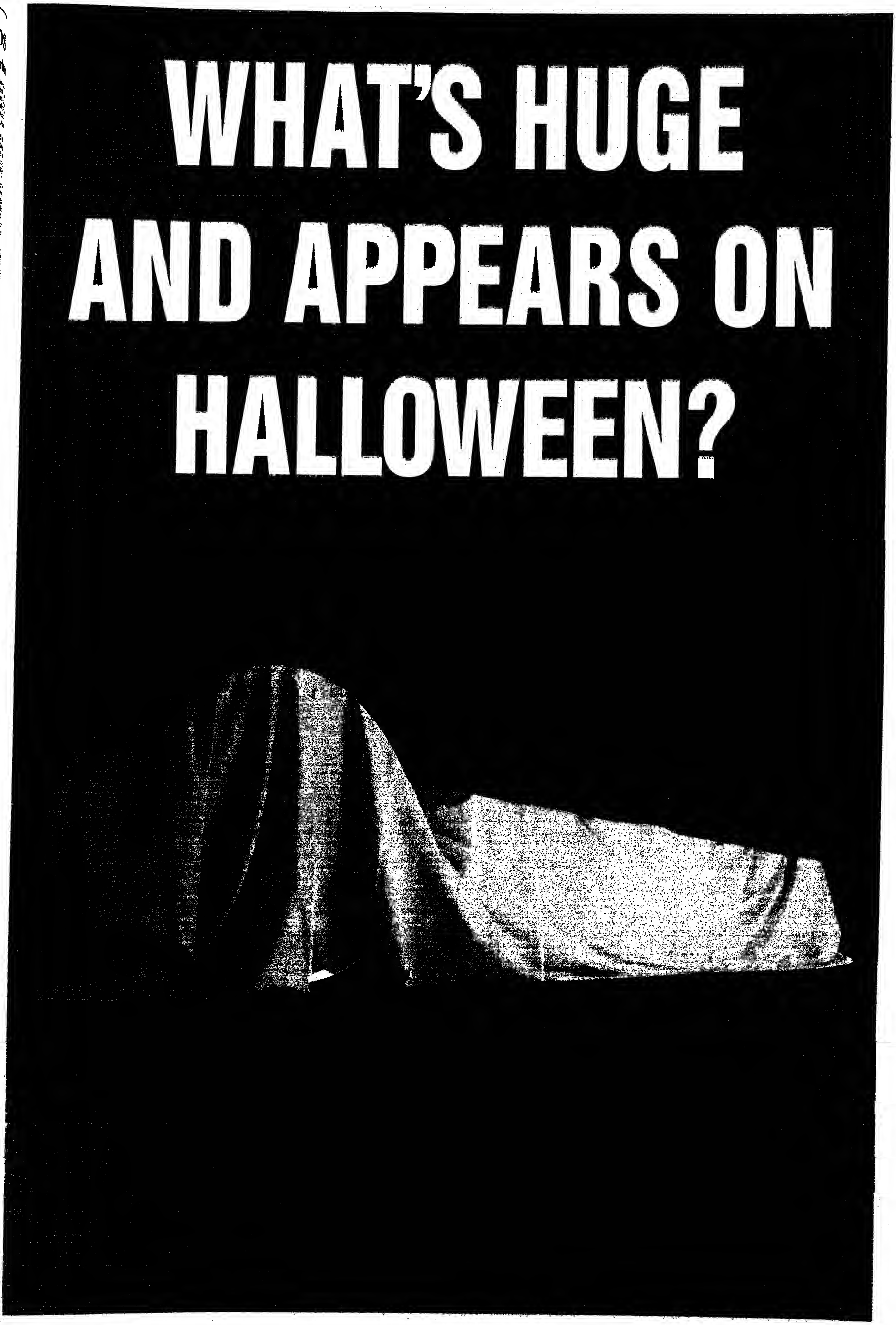
Until now, China has predominantly been a customer for US-built airliners, ordering both McDonnell Douglas and Boeing aircraft.

Airbus yesterday confirmed it was holding talks to sell aircraft to China but declined to comment on a report in the UK Flight International trade magazine that it was close to finalising the agreements to sell the 11 wide-body aircraft to CASC.

The magazine said Airbus had already signed a memorandum of understanding for the sale of the six A330s and another for the sale of the five A340s. Both preliminary agreements have been kept secret up to now.

The A340s are expected to be placed by the Chinese authorities with the Shanghai-based China Eastern airline for long-distance services across the Pacific and to Europe. Deliveries of the first A340s are expected to begin in 1994.

The A340 deal is a blow for McDonnell Douglas which had hoped to sell more MD11 three-engine airliners for the China Eastern long-haul operations.


WHAT'S HUGE
AND APPEARS ON
HALLOWEEN?

UK NEWS

Employers oppose reforms on pay bargaining

By David Goodhart, Labour Editor

BRITAIN'S membership of the European exchange rate mechanism (ERM) should not force the UK to reform or centralise its pay bargaining system, the country's employers' organisation said yesterday.

The labour market reforms of the past decade were already allowing the UK economy to pull out of the recession without triggering a take-off in pay or inflation, according to Mr John Banham, director general of the Confederation of British Industry (CBI).

Mr Banham was responding to a paper from the NEDC which suggested that the UK's bargaining system should either become more centralised and co-ordinated, as loosely favoured by the trade unions, or more decentralised, as favoured by government and employers. Mr Banham rejected both options.

The paper, written by Mr Walter Eltis, director general of the NEDC, which brings together the government, unions and employers, stated: "Ws have sufficient collective bargaining to produce significant knock-on effects, but we are not collective enough to to achieve any degree of co-ordination."

"This may be why the US with its far greater decentralisation, and the Scandinavians with their recent almost complete co-ordination, both appear to do better than we do."

This thesis was not tackled directly by either employers or unions at yesterday's meeting but Mr Banham indicated progress towards decentralisation had gone far enough to squeeze inflationary expectations out of the UK system and that pay rises would not bounce back as in the early 1980's.

He said he expected that UK inflation would soon reach 3 per cent and stay there; that one quarter of all pay settlements were not below 4 per cent, without a clear floor emerging; and that comparability and "leap-frogging" was now "a relic of the 1970's". He also said that only 5 per cent of UK firms were currently complaining of skill shortages.

The NEDC paper was not so optimistic on the immediate pay outlook and said the current estimated rise in earnings of 7.5 per cent would need to come down to 3 to 5 per cent. However it did add that "downward pressures on pay will remain quite pronounced", partly because redundancies will continue to rise until "well into 1993".

The trade union representatives at yesterday's meeting complained that unco-ordinated pay bargaining made it difficult to agree any trade-off between wages and employment and said that the equilibrium level of unemployment was higher after every economic cycle.

Mr Norman Willis, general secretary of the Trades Union Congress, pointed to how centralised pay bargaining in Finland had recently been able to deal with the shock of a collapsing Soviet markat by introducing a general 3 per cent pay cut. The unions said that the current level of unemployment in the UK showed that decentralisation had failed.

● For the first time since the mid 1980s, the Trades Union Congress and CBI have agreed to co-operate on a joint analysis of important economic data.

Both sides emphasise that the effort does not represent a return to the corporatism of the 1970s, when employers, unions and government attempted to collaborate in guiding the economy.

The move was even welcomed yesterday by Mr Michael Howard, the employment secretary and a strong anti-corporatist.

Car maker swamped by applicants

By Kevin Done

NISSAN, the Japanese car maker, has received more than 24,000 applications for 1,000 jobs at its £700m car and engine plant in north-aast England.

The company began recruiting early last month for its Sunderland factory and at one stage applications were flooding in at more than 1,000 a day.

The jobs have only been advertised locally where unemployment in the Tyne and Wear region is running at 12-13 per cent.

The first workers are likely to be recruited in December, with others joining during the first half of 1992.

The salary band for assembly lina workers at the Nissan plant is £12,700-£14,675 a year, including a 16.6 per cent shift allowance. Pay rates are due to rise by seven per cent at the beginning of 1992 in the second stage of the current two-year pay deal.

Applied Engineering: a worker at Nissan, which has been overwhelmed by job-hunters, makes adjustments on the production line

Government defers plans to sell-off British Rail

By Richard Tomkins, Transport Correspondent, in Prague

THE full privatisation of British Rail, the state railway, will not be achieved in the lifetime of the next parliament, Mr Malcolm Rifkind, the transport secretary, said yesterday.

Instead he indicated that BR would be sold on a piecemeal basis, with the more profitable parts of the railway such as InterCity going first.

Mr Rifkind told the Financial Times that privatisation "in the classic sense of the word" could not be contemplated, while parts of the railway continued to receive huge government subsidies.

The Regional Railways sector, which runs provincial train services, earned revenues amounting to only a third of its costs and Network South East was still heavily dependent on subsidies, he said.

But Mr Rifkind insisted that the government was pressing ahead with plans to get "a very substantial part" of BR into the private sector.

"Obviously we cannot contemplate selling off Regional Railways lock, stock and barrel while it is making such heavy losses.

"But what we are contemplating is inviting certain other people to run the business, accepting the fact that subsidies are going to have to be paid for some time."

Mr Rifkind indicated that, in the event of a Conservative victory at the next election, the incoming government would legislate for the ending of BR's statutory monopoly, allowing tha private sector to run services on BR's tracks.

The government's plans are to be set out in a policy document due before the end of this year.

Mr Rifkind - in Prague for an EC transport conference - rejected the suggestion that train services could be more easily privatised by taking ownership of the railway tracks away from BR and setting up a separate track owning authority.

Splitting off the track infrastructure would cut across the massive reorganisation BR had undergone in dividing itself along business lines into sectors such as InterCity and Network SouthEast, he said.

"This is untried and untested anywhere in the world. You can't just throw the whole thing up in the air and see which way it falls. BR is not a plaything."

End in sight for great British paper chase

Peter Marsh on how the government determines domestic public spending in the UK

THE annual ritual is almost over. After months of secret discussions on how the 40 per cent of gross domestic product that goes on public spending should be allocated, the government is about to announce to parliament its plans for the next three years.

The exercise adds up to a giant, invisible paper chase. About 700 civil servants from 20 government departments exchange documents with a cadre of 100 Treasury officials, whose job is to whittle down the arguments for more money.

Presiding over these events is Mr David Mellor, chief secretary to the Treasury. The final plans are to be presented in the House of Commons next month by Mr Norman Lamont, the chancellor of the exchequer, as part of the government's autumn statement on the economy.

The main characteristic of the procedure for working out public spending – expected to add up to about £260bn in the coming financial year – is the role of the Treasury in assessing bids from each department separately.

Tha goal is to keep total spending within prescribed limits set out by ministers. Little effort is made to assess bids collectively – for instance in deciding that extra cash should be made available for hospitals, at the expense of cutting roadworks. "The Treasury is not really interested in trading off one programme for another," says a former Treasury official.

One critic of the system is Professor Peter Jackson, head of the public sector economic research centre at Leicester University, who says other countries such as the US have a more open debata. "In Britain, what discussion there is takes place behind closed doors where it is difficult for outsiders to challenge assumptions about priorities," he says.

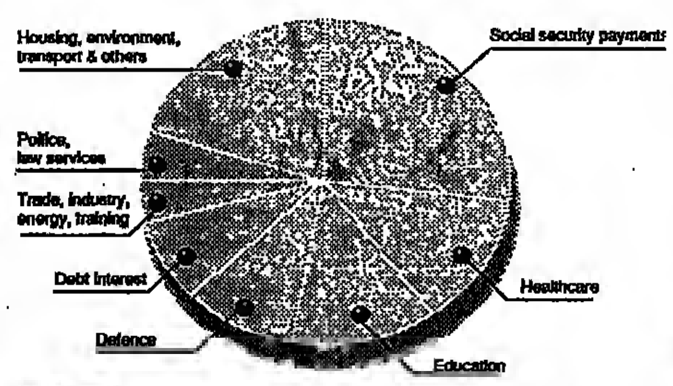
Professor Andrew Likierman, an expert on government finance at London Business School, says the system "discourages discussion" about long-term shifts of resources between different parts of the public sector.

Others say the UK's method is the best anyone has come up with. A former top civil servant says: "If all the different government departments publicised their bids for more money, it would be so easy for pressure groups to pick apart the arguments and use them to support their various causes."

Another argument concerns the overall lavel of public spending, which has risen rapidly in recent years, in spite of government efforts to restrain demands. Mr David Willetts, a former Treasury official and director of the Centre for Policy Studies, the free-market research group, says: "The key role of the Treasury, where it has few allies, is to act as a proxy for the taxpayer and resist the calls for more money."

Public Spending

Total 1990-91 including privatisation proceeds (£216bn)



Source: Treasury
* Note: figure includes spending by local authorities, which accounts for a quarter of total

Under current arrangements, the main spending departments submit their bids to the Treasury in the early summer. The bids are almost always significantly higher than the previous year's allocation.

One large department backed its reqnest for extra cash with 23 separate letters setting out its arguments.

The arguments are pored over by a small army of Treasury staff, headed by Mr Nick Monck, second permanent secretary with responsibility for government finance, and Mr Alex Allan, head of tha general expenditure policy division.

In a process known as "clearing the undergrowth", the Treasury officials try to persuade their opposite numbers in other Whitehall departments to remove some of their obvious excesses.

The Treasury then sets out a formal response to each department, and draws up agenda papers for further discussions, during which Mr Mellor tackles particularly knotty subjects head-on with the ministers in charge of specific policy areas.

This year's spending round has been made more difficult by the recession – which has eaten into tax revenues and pushed up spending on social security – and by the closeness of the general election. The latter has put Mr Mellor under extra pressure from cabinet colleagues for extra cash for popular parts of the public sector such as the state-run National Health Service.

Public debate by the Treasury about priorities is limited, because of the fear that this would encourage yet more demands on spending. In 1984, soon after Mr Nigel Lawson became chancellor of the exchequer, the Treasury published a green paper discussion document, setting out how the needs for pnblic spending should be assessed over the next 10 years.

But this effort at establishing the framework for a public debate was never followed up – in spite of later work by Treasury economists in examining how changes such as technological advances in medicine would push up demands for spending in healthcare. "The documents were never published, because the numbers were too alarming," says one Whitehall insider.

In their efforts to resist spending, Treasury officials appear to derive a certain pride from their kill-joy role. One senior official says of the job: "It's important to hold the line."

UK NEWS

Labour sets out goals for EC monetary union

By Ivo Dawnay, Political Correspondent

THE opposition Labour party said yesterday that the European Community'a drive for economic and monetary union (EMU) must be complemented by a parallel "community-wide" initiative to divert resources from the farm sector to regional and industrial programmes.

But a 14-page document, approved by 20 votes to 2 by the ruling national executive committee, gave few clues as to how a future Labour government would respond to the detailed treaty proposals on EMU, tabled this week by the Dutch presidency of the EC.

Questioned as to whether a Labour government would sign the proposed declaration, committing the UK to the goal of a single currency, party officials said that no such decision could be taken until a final text was agreed.

However, it was emphasised that the paper represents Labour's warmest endorsement yet of the principle of monetary union. A single currency would be the "the most effective means of completely eliminating currency speculation within Europe and establishing a monetary policy formulated in the best interests of the Community as a whole," the paper says.

While the EMU paper was presented as "positive, coherent and consistent" in contrast to tha "negative" stance of the government, it stops short of endorsing any specific timetable for a single currency to be introduced.

Labour's treasury team is expressing satisfaction that the Dutch text acknowledges that the goals of monetary union must go beyond the establishment of price stability to take account of the need to raise living standards.

The paper, drawn up before the Dutch text was published and approved by Labour last week, differs substantially in its emphasis from the the draft treaty tabled by the Dutch EC presidency on Monday.

Whereaa the Dutch text gives detailed outlines of the shape of a European Central Bank, Labour pays closer atteotion to the need for careful political supervision of the new institution by means of an enhanced Council of Economic and Finance Ministers (Ecofin), backed by its own secretariat.

In contrast to the Dutch proposals for the imposition of specific fiscal and budgetary targets before monetary union takes place, it reiterates an earlier statement by the Commission that there should be "no binding rules" on member states. Instead, the co-ordination of fiscal strategies should be undertaken to allow for the sustainable expansion of the Community.

Arguing that both the European Commission and the British government had focused only on nominal convergence between economies, it says "real" convergence must allow member states "to sustain growth and employment" without incurring unsustainable deficits or growing international indebtedness."

It concentrates heavily on the need to level out disparities of wealth between EC countries and regions, arguing for the repatriation of farm policy to national governments to release EC resources for industrial development.

Opposition considers using Tory formula on local tax

By Alison Smith

A LABOUR government might adopt a formula introduced by the Conservative party to work out different levels of local taxation, Mr Bryan Gould, the oppoaitlon's environment spokesman, said yesterday.

The Conservative's formula is based on property valuations which will be used to define people's ability to pay the new council tax, the charge designed to replace the controversial poll tax.

Mr Gould said Labour could use valuations carried out for the council tax as the basis for its own "fair rates" policy.

He rejected, however, the challenge from Mr Michael Heseltine, the environment secretary, to co-operate in passing legislation to abolish the controversial poll tax, the per capita charge levied to pay for local services and amenities.

The legislation to bring in the council tax, in which household payments will be largely based on eight bands of property values, will form the centrepiece of the government's programme outlined in today's Queen'a speech.

Its launch comes, however, against a background of mounting concern among local authorities about the problems of collecting the poll tax.

Local authority association representatives yesterday met officials from the department of the environment and the home office to highlight the difficulties they find in getting the police to act on warrants against non-payers.

Further discussions are planned urgently to try to resolve the issue, in which the two central government departments may find themselves at odds over how much the police and magistrates' court staff should be involved in collection, and how far this should be a matter for the councils themselves.

Despite the prospect of continuing embarrassments over poll tax non-payment and collection, ministers are confident that pushing ahead with the council tax plans will win the government significant support in the run-up to the next election. Mr Heseltine has insisted that the council tax will come into effect from April 1993.

Labour admits that whatever its efforts it cannot stop government plans to ensure the necessary legislation has finished its passage through the Commons by Christmas.

BRITAIN IN BRIEF

Post Office critical of data directive

A draft European Commission directive on data protection has come under renewed criticism from the Post Office.

The directive, drawn up by German officials to reflect their own data protection laws, aims to limit the exchange of lists of names and addresses between companies and governments. The German model gives consumers the right to opt into mailing lists rather than opting out, as is the case in the UK.

But the draft directive has been criticised by Royal Mail International, a Post Office subsidiary which handles incoming and outgoing international mail, on the grounds that it would lead to a dramatic incraase in 'junk' or indiscriminate, untargeted, mailing to people's homes.

Pressure grows for bill of rights

Pressure for a bill of rights to protect and strengthen civil liberties in the UK has been stepped up with the publication of a draft bill by Liberty, the civil rights group.

Constitutional reform is needed to highlight the UK's "dismal record on human rights", said Liberty, formerly the National Council for Civil Liberties. The UK tops the table of European Court of Human Rights judgments with 27 violations, ahead of Austria with 15, Belgium and Sweden each with 14, and Italy and Holland with 13 each.

The draft People's Charter would establish 20 fundamental rights for everyone living in the UK – not just British nationals. These would include a right to personal privacy and to organise in unions, without open-ended limitations on grounds such as national security.

House prices 'remain flat'

Prospects for the UK housing market over the next 12 months are even bleaker than has been previously supposed and house prices look likely to remain flat over the next 12 months, a leading City economist has said.

Mr John Wriglesworth, building society analyst at UBS Phillips & Drew, said that he expects house prices to rise by a national average of only one or two percentage points next year instead of a ten per cent increase which he had previously forecast.

German group's acquisition

Lemmerz-Werke, the privately-owned German group which is Europe's largest wheel manufacturer, is taking over Steel Wheels, a Kidderminister company which specialises in wheels for commercial and "off-highway" vehicles.

The move marks a further stage in German penetration of the West Midlands automotive components indnstry and emphasises the increasingly international quality of the sector.

No price for the acquisition was disclosed. The company, which employs 318 people, had a turnover of £16m in the year to last August and made an operating profit.

Tamils lose claim in court

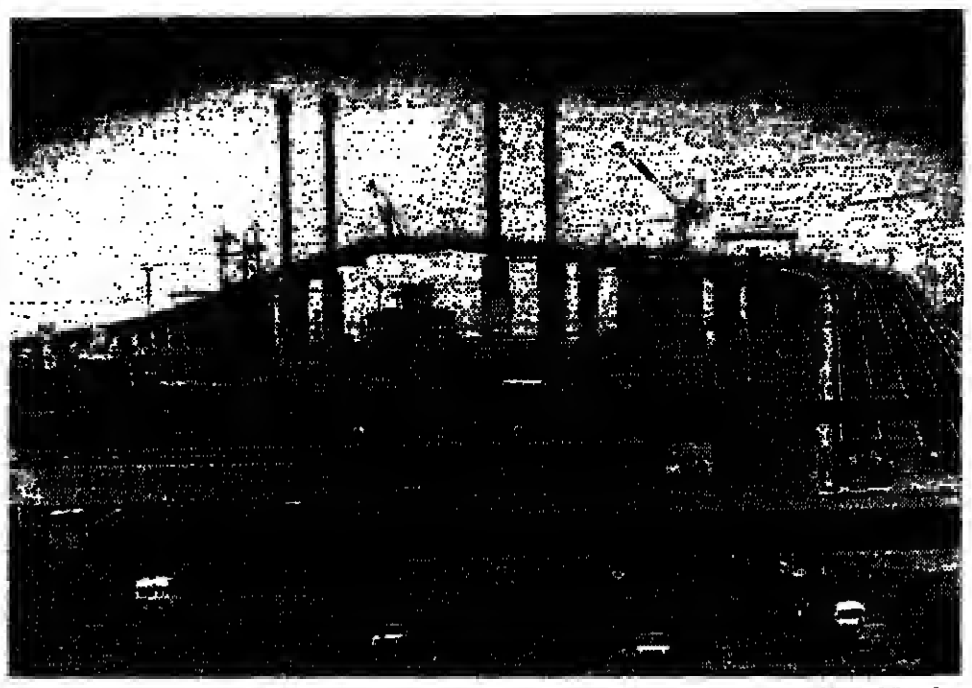
Five Tamils from Sri Lanka denied political asylum in Britain have lost their claim that the government violated their human rights.

The decision in 1988 was justified despite the insistence by the five that they faced persecution if forced to return to their own country, the European Court of Human Rights said in Strasbourg.

The Tamils arrived from Sri Lanka at various times in 1987, applying for political asylum.

NHS waiting list pledge

Mr William Waldegrave has pledged that a government guarantee of a maximum two-year wait for patients requiring National Health Service treatment would be adhered to and raised the prospect that this limit might be reduced in years to come. The limit on waiting time for virtually all NHS treatmeots is one of three new guarantees to be introduced from next April.



The Dartford toll bridge, the first road bridge to be built downstream from the City of London since the 1890s, was officially opened by Queen Elizabeth II. The bridge, pictured above shortly before completion, cost £86m and is the largest of its kind in Europe, linking Keot with Essex.

British Coal warns miners

Miners have been warned by British Coal that redundancy payments of at least £10,000 and pre-Christmas pay packets were likely to be at risk if the National Union of Mineworkers went ahead with its threatened national overtime ban.

The warning was made ahead of a NUM ballot next month when miners will he urged to vote for an overtime ban without safety cover in an attempt to force British Coal's hand over a wage claim.

Jaguar cuts workforce

Jaguar, the UK luxury car maker, has issued compulsory redundancy notices to 470 workers, the first compulsory joh losses it has suffered since 1981. A further 230 compulsory redundancies are expected to be enforced hy the end of the year. It has been forced to cut its workforce hy around a third during 1991 in the face of a drastic decline in sales in the US and the UK.

Welsh economy on 'upturn'

Signs of an upturn in the Welsh economy are reported in two surveys. The Welsh Chambers of Commerce says there has been a "marked resurgence of confidence" and believes the recession is bottoming. The CBI's regional survey, part of its larger national analysis, says that "trading has picked up significantly".

ICI to build £4m plant

ICI will today announce its decision to construct a plant to manufacture an alternative to ozone-depleting chlorofluorocarbons (CFCs). The £4m development at Widnes, Cheshire, is part of ICI's £100m investment programme to develop alternatives to CFCs which damage the ozone layer. The plant will be the first in the world to produce commercial test quantities of an ozone-benign fluorocarbon known as HFC 32.

MMC clears Rank Xerox

The Monopolies and Mergers Commission has cleared Rank Xerox, the UK-based office products company, of operating against the public interest, despite having a monopoly position in the supply of photocopiers. The MMC said very strong competition had developed in tha market since it last looked at Rank Xerox's 90 per cent share in 1976.

IoD opposes reform plans

The Institute of Directors has joined a growing list of employers' representatives which formally oppose government proposals to make collective bargaining agreemeots legally binding.

However, in its response to the government's discussion document on employment law reform, it was broadly supportive of the proposed measures and said that, in some cases, they did not go far enough. In rejecting the proposal the IoD joined employer organisations including the Institute of Personnel Management.

Obituary

Sir Ronald Swayne, who has died aged 73, played a key part in the rationalisation of the European shipping industry that followed the introdnction of containers. Sir Ronald was founder director of Overseas Containers in 1965, created to meet the needs of containerisation and to reorganisa the industry.

TECHNOLOGY

Seeking a sanctuary

Robert Galvin, chairman of Sematech, speaks to **Michael Skapinker** about the aims of the US semiconductor consortium

Given America's declining status as a high-technology nation, any company building a semiconductor factory is likely to look to Japan for the manufacturing equipment. In 1989, Japan overtook the US to become the world's leading manufacturer of semiconductor production equipment and materials.

But when Motorola of the US recently built what it claims is the world's moet advanced semiconductor factory, in Texas, it managed to buy almost all the equipment from American companies.

Robert Galvin, Motorola's former chairman, sees this as a sign that the US is rediscovering its talent in semiconductor manufacturing equipment, an industry it invented.

Sematech, the American semiconductor industry consortium, is about to begin lobbying the US government for more money. Galvin, now chairman of Sematech's board, is quick to point to the Texas factory as an example of what US industry can do when companies work together.

"The concept of collaborative research is beginning to catch on in the US," he says. "Our cnlture is personified by greater apparent independence of action when compared with other parts of the world, but what we are learning is that the American professional is prepared to collaborats with people from competing institutions."

Although he retired as chairman of Motorola nearly two years ago, Galvin, 69, still chairs the executive committee of the company, which was founded by his father. He is untroubled by sceptical questions about how easy US electronic companies really find it to work together. What about US Memorias, an attempt to revive the American dynamic random accsss memory (D-Ram)industry, which collapsed last year?

"US Memories is an experience which I don't think is too typical. I don't think we should derive any fundamental lessons from it. In my judgment, US Memories really wasn't the right thing to do. The parties involved took a look at it and some of them said 'this is going to be hard to sustain'," Galvin says.

As part of its continuing drive to understand its foreign markets, the Motorola board is meeting in Europe – or, to be precise, at Clivsdan, now a hotel, but formerly the Buckinghamshire home of the Astor family. If Galvin is impressed by his European surroundings, he is clear-eyed about the state of his European competitors.

The three large European-owned chip companies – Siemens of Germany, Philips of ths Netherlands and SGS-Thomson, the Italian-French manufacturer – are suffering financially because they have failed to dominate their home markets, Galvin says.

"There is a principle in the realm of strategic thinking called the rule of sanctuary," Galvin says. "The principle is that you can't allow your competitor to have sanctuary in your major market. The Japanese have operated according to the principle. To the extent that European companies have not kept that sanctuary, they are at a disadvantage."

The Europeans have also not worked hard enough outside their home market. "There's been at least as much absence of aggression by European companies to find their way into the Japanese market, and probably into the US market."

Robert Galvin: 'It's never too late' for Europe's chip industry

What can the European companies do to catch np? "It's never too late. 1991 is the first year of the rest of their lives. Companies just have to find a means of doing it."

What is clear is that Sematech is not going to help them. While Jessi, ths European research consortium, has allowed IBM of the US to work on some of its projects, Sematech has irritated European companies by refusing to admit thsm. Neatly side-stepping IBM's participation in Jessi, Galvin says: "One of the complications is that the parties on both sides have government funding. Sematech is half funded by the US government and Jessi is partly funded by European governments. That complicates things. The spirit of the American side is to see if we can't find a way to work togethsr ontside those entities."

He sees ths joint project between Siemens and IBM to develop future generations of D-Rams as the model for the future. "I think there should be a very full spirit of co-operation between private sector entities around the world."

He does not believe there is a need for a transatlantic alliance against Japan. But he is not opposed to US and European companies criticising Japanese trade practices. In particular, he is reluctant to contradict Senator Lloyd Bentsen, who has accused Japanese equipment manufacturers of withholding machines from US chip companies, a claim backed by a recent General Accounting Office report.

"I have no evidence, so I can't testify to the accuracy of the senator's opinions. The nature of things is such that all of us take tha initial developments of a product and share it among oursalves before we share it with others. That's pretty natural."

Is it not Sematech's aim to ensure that US chip companies have early access to American manufacturing equipment – precisely what Bentsen accuses the Japanese of doing?

"Equipment manufacturers in the US will sell to Europe and Japan. They recognise that to make money they've got to satisfy customers wherever they can find them. What Bentsen is alluding to, and I think I know Lloyd pretty well, is that the Japanese could decide for a long time to sell only to each other. They have a big enough market. The entities that manufacture manufacturing toola for semiconductors in Japan are part of large groups. Thsy're protected. The little [US] guy has got to make his income selling to Japan or anyone else."

Some sceptics allege that Bentsen's allsgations are merely part of Sematech's attempt to ensure future funding. "As one who sits in closed rooms thinking out the strategy of Sematech, I can say that that has never been even the implied strategy," Galvin says.

Glaxo joins the diabetes fight

By Clive Cookson

Glaxo, the leading UK pharmaceutical group, has taken a large step into a potentially lucrative area of drug development – new treatments for diabetes and obesity – by establishing a joint research programme with Amylin Corporation, a Californian biotechnology company.

Amylin is a privately held company, set up in 1987 to develop drugs for metabolic disorders. It took its name from amylin, a hormone which acts with insulin to regulate carbohydrate metabolism.

The structure and biological activity of amylin were discovered in the UK by a Medical Research Council group at Oxford University. But an attempt to establish the company in the Oxford area failed – mainly because a suitable site was not available, says Ted Greene, Amylin chairman.

The company was set up instead in the more spacious and financially hospitable environs of La Jolla's "Golden Triangle" in southern California. It has raised $26m (£15m) from US and UK venture capital funds.

However, as part of the agreement with the MRC and Oxford University, "we agreed to try to collaborate with a British company," Greene says. "So I'm delighted that we reached this agreement with Glaxo."

Richard Sykes, Glaxo research director, will join the Amylin board. "There is good evidence that chemical blockers of amylin action could be of great value in treating certain forms of diabetes and obesity," he says.

"We have decided to make amylin physiology a central focus of our diabetes research commitment, and our objective is to investigate amylin blockade by compounds that could lead to safe and effective medicines."

Amylin blockers could be used to treat adult onset diabetes, also known as Type 2 diabetes. There are 5m Type 2 diabetics in the US.

Similar drugs may also be useful treatments for obesity caused by amylin-related metabolic disorders.

Although there is still some controversy among metabolic specialists about the role of amylin, drugs that block its action represent a huge potential market. Their worldwide sales could exceed $5bn a year by 2005, according to a projection by the Wilkerson Group of New York.

But Amylin and Glaxo will not have the field to themselves. Other companies, including Pfizer of the US, are known to be working on amylin blockers.

Glaxo and Amylin hope to have their first amylin blocker ready to start clinical trials in 1993. If these give good results, the two companies could file for regulatory approval in 1996.

Drugs that have the opposite effect, enhancing the effect of amylin, could help to treat juvenile onset (Type 1) diabetes – a smaller but still significant market. They are not included in the Glaxo deal and Amylin will continue to develop these drugs independently.

The company expects to start clinical trials with synthetic human amylin in 1992. A combined formulation of insulin and amylin, which Amylin says would be a more effective long-term therapy for Type 1 diabetes than insulin alone, could be ready for regulatory approval in 1996.

Cleaner dyes make Jakarta less colourful

By Ian Rodger

Production processes for dyestuffs are notorious for pollnting large quantities of both air and water, and the nature of the pollutants – dyes – is such that there is no way of hiding them.

Dyestuff prodncers have understandably been one the most progressive process industries in applying air and water treatment methods. But a Ciba-Geigy dyestuffs plant in the Candra Sari suburb of Jakarta must be in a class of its own, especially considering that it is in a developing country.

The Swiss chemicals company has constructed a total waste water and dye recycling system at its dyestuffs standardisation plant there. The plant's only emission, apart from finished products, is warm, humid, scrubbed air from the spray drying tower.

As so often happens when environmentally friendly processes are introduced, unexpected side benefits have emerged as well. One of the big cost items in the plant process is energy to evaporate water. The staff has thus been encouraged to make special efforts to reduce water consumption for cleaning, and has cut it from 12.3 tonnes in 1988 to an anticipated five tonnes this year.

The Ciba-Geigy plant was built in 1987 with an initial investment of approximately $7m (£4m) to serve Indonesia's fast-growing textile industry. From the start, it presented the company with a special problem.

Normally, dyestuff standardisation plants, where only physical processes – grinding, mixing, dispersion – take place, are located adjacent to upstream chemical synthesis plants. There is no alternative to treating water from synthesis plants, so usually the treatment systems are just made a little larger to accommodate the waste from the standardisation plant as well.

At Candra Sari, there is no synthesis plant. Crude dyes are imported from Switzerland and elsewhere. And it would have cost as much to build a water treatment system as to build the standardisation plant itself. The extra capital cost of installing the total recycling system, by contrast, was negligibla. A third alternativa would have been to install minimal water treatment, as Indonesia does not have tough environmental standards, but Ciba-Geigy now has a policy of equipping all its plants around the world at least to Swiss standards.

The plant process itself is remarkably simple. Water, dispersing agents and crude dyes are introduced into grinders until the desired fineness is achieved. The slurry is then sprayed into a dryer column with hot air and dried under high pressure to yield the intermediate dyestuffs in powder or granular form. The polluted air is then put through a cyclone to yield further dyestuff and passed to scrubbers before being released to the atmosphere.

Waste dye collected from the scrubbers is recycled as fresh raw material. As much as possible, single colour dye is collected; multi-colour waste has to be recycled as black dye.

Dyeing campaigns normally last a week or two and then all the plant equipment has to be thoroughly washed before another colour is introduced. This is the only area of real innovation, with the introduction of washing equipment into vessels designed to reduce water consumption.

The reason for this is that the waste water from this cleaning is collected, again in colour specific and non-colour specific forms – and re-introduced into the production with the crude dyes (and fresh water when necessary).

The main burden imposed by this system is the management of waste water. The trick is to keep the volume of water used for cleaning close to the levels needed to mix new slurries. Any excess simply means that the slurries have to be mads more watery and then more energy has to be spent to evaporate the water off the dyestuff.

The company estimates the cost of evaporating a tonne of water at $50, and approximately 5,000 tonnes a year are evaporated, so there is a big incentive to try to rednce water usage in cleaning. Still, the expense is only a fraction of the $2m annual cost of running a water purification plant.

At the moment, Ciba-Geigy finds that it has to keep about 300 tonnes of water in storage, occupying fully one third of its plant space. The water is stored in one-tonne metal containers, each carefully marked to indicate the colour run it came from.

As Robert Unseld, managing director of the Candra Sari complex points out, all this requires a high level of discipline among plant employees, which even in a developed country would be difficult to achieve. Ciba-Geigy officials are especially proud to have made it work in Indonesia.

Ciba-Geigy officials admit that this type of installation is unlikely to become widespread in the dyestuffs industry, simply because the physical separation of synthesis and standardisation plants will remain rare. However, they say the experience at Candra Sari is already provoking managers throughout the group to look more carefully at the benefits of improved water husbandry.

You were happy to spend a fortune advertising on T.V. Then you had to go and read this.

NO-ONE can deny that television advertising is expensive. The reason advertisers are willing to pay up is because they've been told time and time again - and have had no reason to doubt - that television is a good investment.

Given the huge audiences and the 'intrusive' nature of the medium, for those who can afford it there is no real alternative.

We may think of this as the accepted wisdom. In fact it's the accepted folly.

The figures that make the case for television advertising are based on a method of research which records the times at which viewers turn their sets on, change channels and switch off.

There is also a 'people meter' that records who is in the room, provided they remember to press the button.

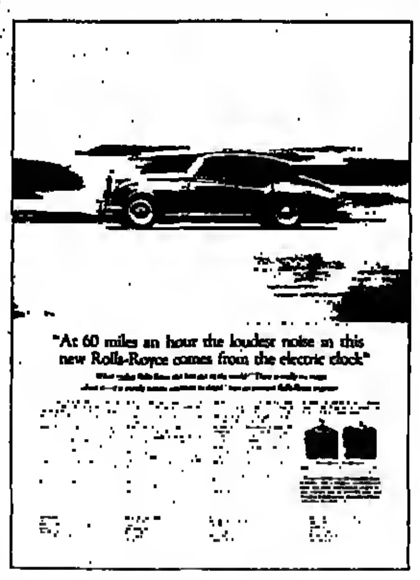
This method asks us to make a rather important assumption.

That when people are in a room with the TV set switched-on, they are actually watching.

Everyday experience, common sense and a little elementary sleuthing will show us that this assumption can't be entirely accurate.

Just how wildly inaccurate has recently been demonstrated by research psychologist Dr. Peter Collett, who used the unassailable method of videoing people watching commercials by hiding a camera in their TV sets.

His findings make uncomfortable reading for anyone who spends large sums on television advertising. Let's assume that you 'invest' £10 million. Dr. Collett saw (literally) that 20% of commercials played to empty rooms. Bang goes £2 million.



The videotapes also revealed that advertising breaks were the cue for people to escape the commercials.

Some people left the room. Others used remote-control 'zappers' to sample the action on other channels. As a result, another 10% of commercials (and £1million of your budget) were lost.

Only 70% of commercials had any audience at all. But the tapes show people talking, reading, sleeping. Some, who evidently forgot they were being filmed, even got down to some serious canoodling.

Half the time, no-one was actually watching the TV set.

In effect, only one third of all commercials had the viewers' attention. £7 million of your £10 million was totally wasted.

Whichever way you look at it, television advertising is less than half as effective as you thought it was. Or more than twice as expensive.

In publishing this newspaper advertisement, we do not wish to imply that your television advertising budget is wasted. Just two thirds of it.

Of course we're not suggesting that you stop using television, only that you stop to think about what other, powerful options are available. Newspapers, for example.

You cannot read a newspaper whilst behaving as if it isn't there.

If you put down your newspaper to make a cup of tea, the ads will still be there when you come back.

(It is probably impossible to canoodle while reading a newspaper, but if Dr. Collett's research teaches us anything, it is not to be dogmatic.)

Some of the most famous campaigns in advertising history have been conducted in newspapers. We've already featured several of them on these pages. This advertisement contains two more examples.

Newspaper advertisements can be intrusive, powerful and compelling.

You've spent three minutes on this ad already and read every word so far. How much would it cost you to hold someone's attention on TV for three minutes? (Don't forget that TV is more than twice as expensive as you thought it was.)

If you'd like more information, please telephone 071-433 1500.

PEOPLE READ NEWSPAPERS

This advertisement was placed by the Newspaper Publishers Association.

MANAGEMENT: Marketing and Advertising

Brands left on the shelf

Guy de Jonquières reports on the increasing power of multiple retailers

During the economic boom of the 1980s, when the fashion for putting brands on balance sheets was at its height, it would have been heresy to suggest that brand values could fall as well as rise. Yet in the harsher business conditions of the 1990s, many consumer products manufacturers are being forced to confront that reality.

In the US, recent market research surveys have revealed a sharp decline in customer loyalty to many nationally branded consumer products. The trend is blamed partly on tighter advertising budgets and on an increased tendency among financially-straitened consumers to buy strictly on price.

However, recession is not the only culprit. On this side of the Atlantic – and particularly in Britain – the traditional strength of many food brands is also being challenged by a long-term shift in the balance of power in favour of large multiple retailers at the expense of food processors.

The shift has been under way for several years. However, research by OC&C Strategy Consultants, a London-based business consultancy, finds that many UK food processors still do not appreciate the full significance of the change – or how far it has already undermined the value of their brands.

In the past, consumer products manufacturers have tended to measure brand strength on the basis of overall market share or of research into consumer perceptions. But a forthcoming OC&C study* argues that these yardsticks are becoming less important: the real test is how well branded products perform in direct competition with private-label goods stocked by the large supermarket chains.

The argument for adopting this comparison is that UK food retailing is increasingly dominated by the multiples: in the past five years, their market share has risen from 45 per cent to 55 per cant and is expected comfortably to exceed 60 per cent by the mid-1990s.

Furthermore, a growing proportion of their sales is of private-label products, made under exclusive contract by outside suppliers. Such products already account for a third of all UK packaged grocery sales.

J. Sainsbury introduced 1,300 new private-label lines last year, while Tesco has increased advertising spending in support of private-label to £13.5m last year from a mere £191,000 in 1986.

Against this background, a recent point-of-sale survey made by OC&C at Sainsbury and Tesco, Britain's two largest food retailers, points to disturbing conclusions for the manufacturers.

Of 10 unnamed manufacturer brands which are overall market leaders, only four sold in volumes which exceeded by 20 per cent or more the two retailers' sales of equivalent private-label products.

Sales volumes of five of the branded products were lower than those of private-label rivals stocked by the two supermarket chains.

Yet all the branded products were priced higher than the private-label goods – by as much as 63 per cent. Such premiums, traditionally a prerogative of brand leadership, will become increasingly hard to sustain in the face of tougher private-label competition.

The threat to the manufacturers does not end there, however. Prassure on them is likely to increase further as retailers continue to refine the methods they use to assess the performance of the products they sell.

Until now, these methods have focused on sales volumes and gross margins. But most larger UK multiples plan in the next few years to introduce "direct product profitability" (DPP) systems, designed to measure the profit before interest and taxes which they earn from each of the product lines they stock.

Armed with this information, the retail chains will be in an even stronger position to drive a tough bargain with suppliers of branded goods. Those which do not meet retailers' profit requirements risk either being pressured into cutting their wholesale prices or seeing their products squeezed off the shelves.

Faced with this dilemma, what should manufacturers do? OC&C points out that the growth of private-label has blunted their ability to regain the initiative by means of retail price cuts and special promotions – both of which retailers can swiftly match on private-label products – or by seeking alternative distribution channels.

According to the study, the manufacturers' best hope is to identify rigorously their core strengths, axing weaker brands and concentrating investment on those which offer the highest returns.

Brand strength will depend increasingly on the intrinsic quality and features of the products themselves. Manufacturers will need to accelerate their innovation effort, both in developing and manufacturing new products, and to focus on marketing campaigns which clearly differentiate their products from private-sector alternatives.

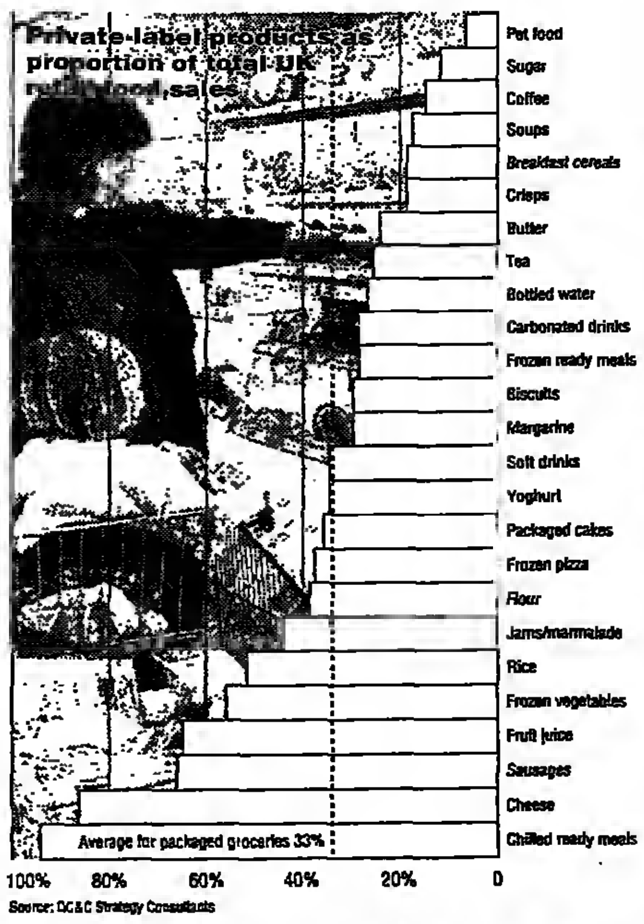
OC&C points out that, in recent years, the retailers' close involvement with suppliers of private-label products has given them substantial first-hand experience of production methods. However, branded product manufacturers have not responded by deepening their knowledge of modern sales and distribution techniques.

The survey points out that manufacturers will need to catch up by using DPP and other systems to monitor much more closely the performance of their products at the point of sale.

As threatened manufacturers seek to fight back, they can at least look to some models to emulate. These are the products in which manufacturers' brands continue to dominate the market, often in spite of retailers' efforts to expand private-label sales.

In many instances, such as instant coffee and breakfast cereals, this is because the traditional market leaders have successfully defended their position by a relentless commitment to staying ahead through innovation, advanced production technology and single-minded marketing.

* *Just when you thought it was safe to put brands on the balance sheet. OC&C Strategy Consultants, Kings Buildings, Smith Square, London SW1P 3JG. Tel: 071-828 5349*



'Buttered' cake lands in TV jam

By Gary Mead

British television viewers have been spared a 15-second mini-romance that takes placa over a buttered – sorry, vegetable fat spread – cake.

Last Tuesday, British national newspapers carried a full-page advertisement taken out by Van den Bergh and Jurgens, the edible fats branch of Unilever. The ad carried stills taken from a planned television commercial promoting a vegetable fat spread called "I Can't Believe It's Not Butter!", which sells well in the US with some 8 per cent share of the market.

The commercial's story tells of a parted yuppie coupla brought back together by the discovery of a shared taste for the low-saturate, high-polyunsaturate, almost-cholesterol-free spread.

But the surface bliss concealed a serious rift between Van den Bergh and the Independent Television Commission (ITC). Tuesday's newspaper ad stated: "This commercial has been banned from British television. As usual, it all comes down to a question of taste." The ITC banned it on the grounds that it infringes an EC regulation outlawing advertising or packaging which suggests that non-dairy products have a dairy component.

Bill Young, Van den Bergh's marketing director, says that the product cleared a similar legal hurdle in the US and that its launch in the UK last week was well-researched. "We took very careful legal advice."

Van den Bergh and Jurgens had planned £2m advertising by the end of this year. Young estimates that Van den Bergh could lose some £500,000, writing off the development costs of the TV promotion.

The "yellow fats" UK market divides into roughly 80 per cent non-butter and 20 per cent butter products. Van den Bergh hopes that on the basis of its US success, "I Can't Believe" might go down well with British consumers.

The ITC took up the case following representations from, among others, the UK's Butter Council.

Peter Morgan, chief executive of the Council, says that "we drew the ITC's attention to the promotion campaign as there has been an increase in the number of sub-dairy products using dairy terminology or imagery to imply they are something they are not".

Morgan feels the current case is similar to that of an earlier Van den Bergh product, Stork margarine, the focus of similar Butter Council criticism in 1976 for the slogan "you can't tell Stork from butter".

The ITC is convinced the kerfuffle is a "simple matter of legality". Nevertheless, Van den Bergh has turned the ban into into a clever piece of PR crisis management. It may have the last laugh; there's nothing like a good dose of prohibition to whip up attention.

No entry to Quality Street

Emiko Terazono reports on troubles at Toyota

When Toyota took its Corolla model npmarket in June to replace the best selling car in Japan, the motor indnstry hoped that the move would signal a shift in the mass market consumer to more expensive cars and to fatter profits for their makers.

However, the strategy flopped, mnch to the disappointment of Toyota and other car makers, as sales of the new model (right) have fallen below those of the old model a year ago.

Motor car makers were hoping that higher added value would bring in higher profits.

Instead, Toyota has made a serions miscalenlation: it seems consumers are not prepared to pay an extra 20 per cent for a few upgraded components.

"Toyota did not realise that the consumers at whom the Corolla is targetted are the most price sensitive," says Koji Endo at brokers SG Warburg.

The company tried to shed the cars' mass market image by making the interior plusher, and adding automatic air conditioning as standard.

On the ontside, Toyota claims that an anti-rnsting body provides "long lasting quality".

Inside the car, gadgets such as power windows which can be operated withont the car key inserted, and cup holders provide quality motoring.

However, the sharp price increase has turned consumers away and Toyota is losing market share as a result. Japanese consnmers, becoming more sensitive of the slowdown in economic growth, are going back to basics.

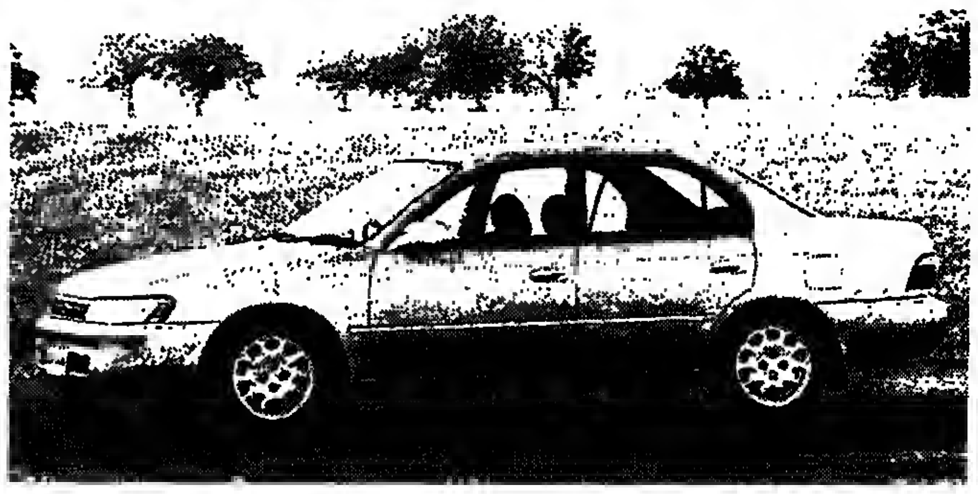
While Toyota says that it will continne to market Corolla as a luxury model, it has acknowledged defeat by beginning its antumn sales campaign with cheaper end of the new Corolla range. Endo predicts that Toyota car dealers will also try to regain market share by aggressive discounts.

Other Japanese motor mannfacturers have fared better with new models of their mass market cars. Honda says that it has kept the price increase for its new Civic as low as possible.

Nissan is more sympathetic to Toyota's problems. "The mass market is the toughest in terms of competition, consnmer taste and pricing," says Masamichi Ozawa, Nissan's spokesman.

Ozawa says that while consnmers are looking for a higher class car, they are very sensitive to price movements.

"Nissan is also trying to shift sales to higher value-added cars hnt Corolla's failure has taught us that it will not be that easy."



CINEMA

Downstaged by a slave

SPARTACUS (PG)
Stanley Kubrick

RAMBLING ROSE (15)
Martha Coolidge

BLONDE FIST (15)
Frank Clarke

TWENTY-ONE (15)
Don Boyd

The re-release of *Spartacus* reveals Peter Ustinov stealing the film from his all-star rivals. They include Laurence Olivier hraying through a Roman nose as Crassus; Kirk Douglas clenching his chin-dimple in glorious Technirama as the revolting slave; Charles Laughton resembling a ringleted porker as Gracchus; and Jean Simmons and Tony Curtis competing for the soft-focus franchise as the film's AC/DC love interests.

Underacting as the slave dealer Batiatus, who signs up Thracian quarry-hand Spartacus for gladiatorial training and then wetches aghast as he and his mates hreak out and march on Rome, Ustinov downstagas the lot of them. He pouts, mumbles and fidgets; he dishes out deliciously off-hand *bon mots*; he is an eternal coward at bay in the Eternal City. Ustinov also rewrote most of his own dialogue. No wonder it towers above the rest of Dalton Trumbo's earthbound script.

For the moet pert this 3¼-hour Hollywood sprawl, now restored and re-fitted with missing scenes including a once censored chet about "snails and oysters" hy Olivier and hath-slave Curtis (which must rank as the obscureet duel of *double entrendres* in film history), impresses no more than it did when it appeared in 1960 during the decline-end-fall days of the Roman epic. A young Stanley Kubrick acted as director (read traffic policeman), but it was Douglas's project from the start. You can tell this from the mile on mile of Douglas close-ups, running the expressive gamut from gritted teeth to gritted chin via gritted eyes, nose and navel.

Someone should have gritted the movie. It might have prevented a platoon of distinguished actors sliding icily to their doom, with only Ustinov having had the forethought to don spiked sandals.

★

The sight of the London Film Festival massing in the distance is as disquieting as Crassus's army must have been to Spartacus. The skyline hristles, the ground quakes; soon there is naught you can do to resist the overwhelming numbers.

This year 200 films excluding shorts advance upon us. Annually I, and like-minded colleegues, scream that this onslaught of movies, barely differentiated from each other by the perfunctory categories and interchangeahly upheat hrochure write-ups, bears no more resemblance to a *film festival* than a motorway pile-up has to a etreet procession.

There are, of course, good films. I recently hendpicked some of them for you on this page. But to an inexperienced eye they would be lost in the swell. There is no safety in numbers; just chaos.

Yet still the LFF expands and still it crowds the mediocre into the same cooking dish as the masterly. Patient pilgrims to the Netional Film Theatre are rewarded with turkeys already well-roasted at previous festivals.

London deserves a major festival, but the LFF confuses major with multitodinons. Cannes and Berlin are major film festivals because they find an illuminating, helpful context for each film; because they dare to draw a few distinctions between art (main competition and young directors' event) and commerce (market section); and because if they show bad films they have the excuse that they are premiering yet-unknown quantities. London, as a round-up festival, has no excuse at all for showing junk already discredited from the Baltic to the Mediterranean.

★

The new cinema releases are devoted to women. While Kirk Douglas pumps primeval patriarchal muscles in *Spartacus*, *Rambling Rose*, *Blonde Fist* and *Twenty-One* display heroines boldly asserting themselves in e male supremacist society.

The 19-year-old heroine of *Rambling Rose* is gangling Rose, housekeeper, ex-prostitute and suspected nymphomaniac. Played by Laura Dern as a sort of human garden plant, slim-stemmed and nervously swaying, she disrupts an entire Southern household circa 1935 with her qnest for love. "Daddy" (Robert Duvall) is a crusty cove with an uptight ettitude to her sexual overtures ("Replace that tit!"). Mother, played by Dern's own mum Diane Ladd, is a pinched-featured sweetie who explodes at the local doc's idea of neutering Rose. And teenage son Buddy (Lukas Haas) falls for the girl, discovers love and then grows up into the movie's narrator (John Heard).

Directed by Martha Coolidge from a script and novel by Calder Willingham of *The Graduate*, the film allows two stylistic growths to become entangled. A wicked comedy of Southern manners, all twanging vowels and puritan zeal, gets caught up in a growing-pains story scored for syrupy violins and photo album visuals. Whenever Duvall is on screen, with his cracked walnut face and cracked locutions ("I am standing at Thermopylae and the Persians shall not pass!"), we are in a seventh Heaven of character comedy. But whenever the string section stirs and flowers quaver on lawns or printed frocks, it is novelette time and we earnestly await the next giggle.

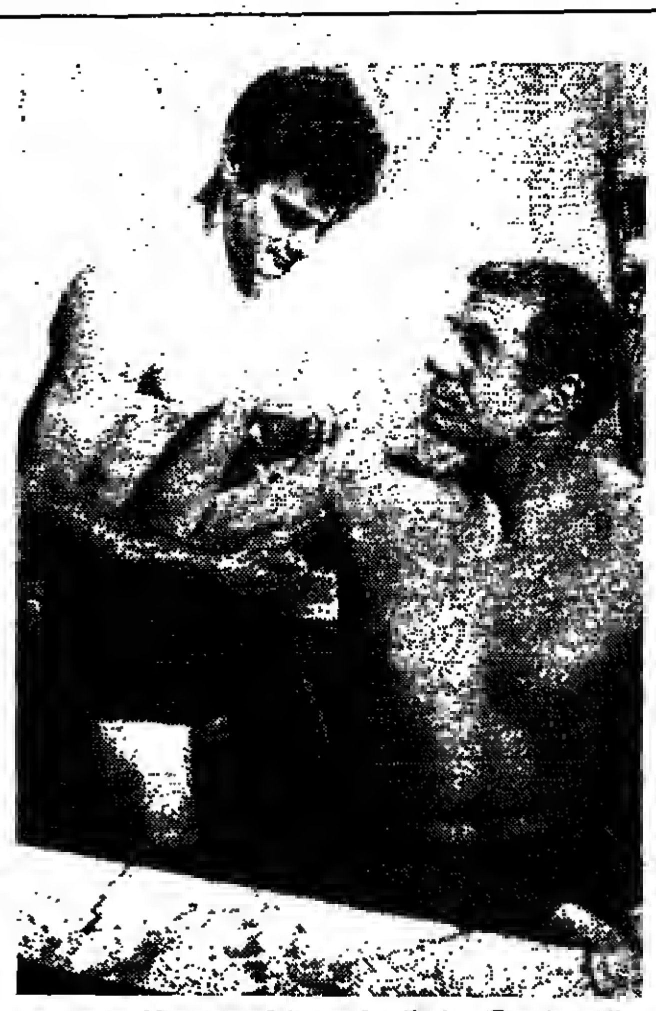
Don Boyd's *Twenty-One* is about a female Alfie. Katia (Patsy Kensit) is young and sex-mad and cannot stop talking to the camera. Since the said camera has only just recovered from heing harangued into a coma hy Theresa Russell in *Whore*, this is unpromising. The story like its heroine tramps around with no particular idea of what to do. But like her also, it meets interesting people on the way.

There is Miss K's boozy, wistful, funny car salesman of e Dad (Jack Shapherd); her lover and workmate (Rufus Sewell) who behind loo doors swaps his office bonhomie for a junkie'e pincushion arms. There are her overeating girlfriend (Sophie Thompson) and her sweetly underacting black friend (Maynard Ezekiah, of *Mister Johnson*). As e waif's progress, the film improves as it goes on. Katie resembles one of moviedom's famous gremlins: whenever the cold water of truth is thrown on her, she throws another lively supporting character into the world.

Twenty-One woos the American market by including framing scenes in New York. Frank Clarke's *Blonde Fist*, e directing debut for the writer of *Letter To Brezhnev* and *The Fruit Machine*, flies off to New York at the first excuse. Only an hour has passed in this Liverpool-initiated tale of a peroxide toughie (Clarke's sister Margi) with a right hook and family problems, before we are catapulted into Manhattan to search for drunken Dad (Ted Bone), true companionship (Carroll Baker as a wisdom-spouting hotel maid) and glory in the ladies' boxing ring.

In New York we are bruised by daft plotting and spell-it-out comedy. In Liverpool we are battered by e Scouse comedy of manners that, like Clarke's othar films, exaggerates its accents and local edages to make a Mersey killing at the box office. Of the week's three heroines I most liked Miss Kensit. She was not on permanent heat like Miss Dern; she did not resemble a elastic-vowelled Joan Crawford like Miss Clarke; she just lay back, thought of her post-*Absolute Beginners* career and spun a forthright, fresh-faced charm.

Nigel Andrews



Laurence Olivier and Tony Curtis in "Spartacus"

A Woman Killed With Kindness

THE OTHER PLACE, STRATFORD-UPON-AVON

Thomas Haywood (1573-1641) confessed to having had "either an entire hand or at least a main finger" in some 220 plays. But in practice, only two survive: from 1607 *The Fair Moid of the West* (performed hy the RSC in 1986), and from 1603 *A Woman Killed With Kindness*, now with the RSC at The Other Placa, directed by Katie Mitchell.

This wry domestic tragedy makes a perplexing evening's theatre, largely because Mitchell has not found anything at the heart of Heywood's world view. His work as a whole, and *Kindness* in particular, lacks moral certainty and ethical consistency. The result typifies the main tronhle with Heywood, and that is his resolute ordinariness.

Master John and Mistress Anne Frankford have the perfect marriage, until their friend and guest Master Wendoll seduces Anne and divorces "the truest turtles that ever lived together." Frankford takes sadistic revenge on his wife, deciding to sequester her in a manor house, divorce her from her children, and "kill her even with kindness." Meanwhile in the semi-detached subplot, Frankford's friend, Sir Charles Mountford is jailed after an aristocratic fracas, hails himself ont by selling everything, and then pawns his sister Susan to his main creditor, Sir Francis Acton.

The play turns on Wendoll's eppeal to Anne:

"For you I'll hazard all: why, what care I?

For you I'll live, and in your love I'll die."

She cedes to the seduction with hardly a struggle; but for Heywood, her consequent decline and death do not vindicate any inexorable moral law; they merely show our ordinary vices of treachery, disloyalty, cruelty and tyranny at work in the world. As a salve, Heywood offers sentiment rather than ethics.

The actors seem understandahly disoriented, as Mitchell tries to focus the production by means of a cross on stage (to which all the actors refer when addressing God), and by interpolating slahs of devotional music in rasping fourths and stark fifths. Vicki Mortimer's design and David Ludlam's lighting conspire to produce a dour, sombre setting: a floor of bark-chips before a blank wall.

The acting is scaled down to closet proportions. Michael Maloney (Frankford) manages best with Heywood's simple, direct verse, often slowing it down to a murmur; alongside him, Saskia Reeves (Anne) believably regrets her cupidity with the limber Barry Lynch (Wendoll). In the adjacent plot, Jonathan Cullen (Sir Charles) and Sylvestra le Touzel (Susan) make uneasy eiblings. And casting shafts of unseasoned mirth and ribaldry into the gloom are Kenn Sabberton and Sean Murray as Frankford's servants.

Kindness shows Heywood as unremittingly demotic, like his contemporary Thomas Deloney, committed to ordinary valnes. No sense of Heywood's personality emerges; unlike Marlowe or Jonson, he remains a shadowy figure, the pamphleteer and Puritan theologian who wrote plays. Lamh and Hazlitt beefed np his reputation. But his standing hes never rested, as Shakespeare's and Jonson's has, on a published body of work.

Andrew St George

Tovarich

PICCADILLY THEATRE

It is ironic that the great star performance in London theatre today is being given hy an actress performing in her first play. Throughout the 1970s and 1980s, Netalia Makarova was (with Lynn Seymour) one of the world's two supreme dramatic ballerinas. Now, huilding on her triumph on both sides of the Atlantic in her talking and dancing role in *On Your Toes*, she has become an all-talking actress without any loss of stellar hrilliance or dramatic power. You expect her to be an icon of glamour, and she is to the nth degree. But what is surprising is her wit, her timing, her stillness and her economy.

Nobody could expect to see a snobbish play like *Tovarich* onstage today, but I hope that, in this case, nobody minds. Jacques Deval's play, set in Paris in 1932, is about a pair of White Russians. Ohliged to work as housemaid and butler to a *nouveau riche* family, they find they love it. When played as it is here, *Tovarich* turns ont to have many old-fashioned theatrical virtues. It is marvellously rewarding to play, with good lines even for the smallest roles. Patrick Garland'e staging, successfully transferring from Chichester, abounds in stylishness, right down to the perfect choice of French and Russian music to introdnce and curtail each act.

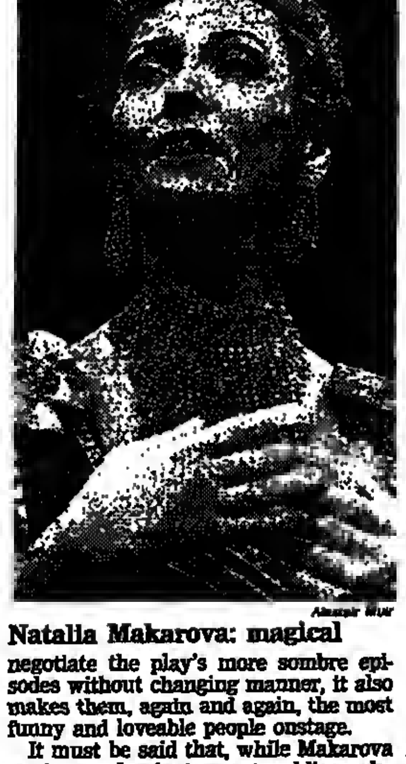
Robert Powell is completely charming as her husband. I realise that until now I have never liked him as a film actor; hut here he has humanity and warmth. George Murcell plays Comrade Gorotchenko – correctly, I think – as a civilised brute. (At Chichester Tony Britton employed a more elegant and imposing kind of menace.) The several western European roles are played with great ebulliènce and the dash of caricature that today is surely the best way to play these roles in this social comedy.

But there is never a hint of mockery in the performances of Makarova and Powell. This not only enables them to negotiate the play's more sombre episodes without changing manner, it also makes them, again and again, the most funny and loveable people onstage.

It must be said that, while Makarova is the production's most sublime element, she is also its most flawed. Her voice is creamy and melodious, her pacing and timing are exemplary, but she has not yet acquired the strength of breathing or the lucidity of diction to project her every word to the back of e large theatre.

Anyone who sees her must hope that she can improve in these directions, and that – for other roles – she can lose most of her Russian accent. I say this because I long to see her in any number of great roles – and not just in Chekhov and Turgenev.

Alastair Macaulay



Alastair Muir

Natalia Makarova: magical

Romeo and Juliet

ROYALTY THEATRE

Northern Ballet Theatre's *Romeo and Juliet*, installed at the Royalty for the next ten days, is a fine example of the "Never mind the quality, feel the title" style of ballet-making. This philosophy, and the works merchandised under the banner "Give them anything, but call it *Swan Lake*", are our dance companies' response to the entrenched conservatism of the ballet public, and to the financial stringencies that now encroach upon every dance activity. Ballets on tour – and, alas, even at Covent Garden – have to be recognisable, and inflated box-office prices mean that audiences no longer dare venture into the unfamiliar. Quality, save on the spurious terms of brand-name titles, means little.

Thus NBT's *Romeo*. It is a staging which won no plaudits from me when I saw it earlier this year. The production is determinedly in search of dramatic effects through a blatant and over-energetic performance style, which seeks to persuade its public that a middle-scale troupe is disposing of the forces of an opera-house ensemble. The resultant vivacity is exhausting to watch, and not a little risible as dancers register emotion, huild up their roles with desperate mumming, and generally behave as if they were semaphoring the text to an audience in the next street. A parallel with the treatment of the score is inescapable. Reduced for a small orchestra, and arranged (and, in places, cut) with the finesse of a chain-saw murderer, it deforms, unbalances Prokofiev.

Christopher Gable's scenery-chewing staging – the Capulets' real name is Crummles – would make more sense if it framed credible choreography. But Massimo Moricone's dances are dull stuff, and characterisation and passion are alike flattened under academic predictabilities. William Walker and Jayne Regan go through the motions as the lovers, but the motions are singularly unrevealing of their tragedy. Other performances have a hectic flush, as if the dancers had been running very hard to keep up with everything they have to do: Lady Capulet's emoting (in red nightdress and blood to the elbows) over the body of Tybalt makes her an easy winner in that particular race.

Lez Brotherston's designs give the evening what visual distinction it possesses: his set of monumental blocks is handsome, effective. It would make an excellent location for a staging of *Romeo and Juliet*.

Clement Crisp

La Chapelle Royale

NOTRE DAME DE FRANCE, WC1

Just off Leicester Square, tucked between the Prince Charles and Warner cinemas, there is a large French church. The interior is of majestic proportions and perfectly round, with huge pillars along the perimeter and a grand skylight-dome high above them – an excellent Hall of the Grail for Wagner's *Parsifal*. It proved to offer a perfect acoustic for an *a cappella* choir, the European Vocal Ensemhle of "La Chapelle Royale".

The larger, all-French choir of the Chapelle Royale cultivates a repertoire from baroque to Romantic; the Ensemble is all-EC (15 voices here, four men with English names among them) and concentrates on the chronological extremes, Renaissance polyphony and new music. Its Belgian director, Philippe Herreweghe, is John Eliot Gardiner's kind of musician, a conductor who champions "authentic" performing-style not only in *Monteverdi* and Bach but in 19th-century music.

I suspect that "period" styles of vocal delivery are seriously imponderable, because irrecoverable – we simply have nothing like the clues to instrumental style that surviving period instruments (and playing-manuals for them) afford; but Herreweghe's Ensemble makes a remarkably lucid, balanced and beautiful sound. In this programme of motets hy Leonhard Lechner (a Lassus pupil) and the Lutherans Hans Leo Hassler and Schütz, it allowed room for some individual character – as much, on an intuitive guess, as German ecclesiastical manners would have tolerated in the 16th and 17th centuries.

More, it mede the intricate polyphony luminous in warp and woof, something which can hardly be achieved *unless* the individual lines have their own vital thrust. Besides that, or rather because of it, the real expressive range of this devout music was thrown into sharp relief.

David Murray

Arc Dance

BLOOMSBURY THEATRE

Arc Dance Company is what hiologists would call a "sport" in the British dance scene. For six years it has been the means for Kim Brandstrup – Danish born; Londoo Contemporary Dance trained – to show much of his choreography.

Brandstrup's creativity proposes a theatre in which drama is allied to an expressively exact movement style, hut it is one which does not subscribe to the modish taste and traditions of British post-modern dance. In this, I suspect, there has lain a financial problem. Arc receives no official subvention. While our funding bodies have provided support for the mediocre and the ragingly inadeqnate, Brandstrup's assured and well-crafted work has benefited from nothing but private sponsorship.

That his dance-pieces have considerahle merit is not in doubt. Public and critical reaction, both here and abroad, has been gratifying. His choreographies embrace such virtues as good music (a favoured collaborator is Ian Dearden, a composer of rare imaginative resource) and hrave design (the ravishing London Contemporary *Orfeo* a case in point).

For a hrief season this week, Arc Dance is showing two Brandstrup pieces at the Bloomshury. Both make virtues of austerity in design – settings are minimal but allusive, and our imaginations supply everything the stage picture lacks in concrete objects – and benefit from choreography with a similar allnsive power. *The Dybbuk*, on which I reported e couple of years ago, adapts Ansky's famous play ebout a bride "possessed" by the spirit of her dead lover. Simplicity of means, a cumulative sense of mystery, catch the terror and inevitability of the drama. Performances – Jo O'Keeffe as the girl; Patrick Mahoney as the dyhhuk – are strong, and with what sure theatrical sense does Brandstrup show us the unquiet spirit and the girl finally united, hacke to os, slowly rocking on a table. The image sums up the entire drama.

Mysteries, made this year, is a commentary upon themes in Bela Balaz' *Duke Bluebeard's Castle*. The final room in the castle is identified as the last and most secret recess of the psyche. As two wives in turn open the door, they die. The third – who has appeared throughout the piece with a violin – dominates Bluebeard, and finally defeats him, her violin bow against his sword.

This ending is baffling, and we may interpret it, perhaps, as a comment upon surrender to a beloved, and the varied arms used in the conflict. What precedes it, though, is fluent, sensitive dance writing, oddly reminiscent et moments of Antony Tudor's ballets in the precision of its physical effects, and well done by its cast. The fine score by Ian Dearden is subtle in sonorities, everywhere apt. Design – by Craig Givens for *Dybbuk*; by Fatini Dimou for *Mysteries* – is no less pleasing.

Clement Crisp

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

BERLIN

Deutsche Oper 19.30 Heinrich Hollreiser conducts Der fliegenda Holländer, with Simon Estes in the title role and Sabine Hass as Senta. Tomorrow and Sun: Andreas Schmidt singe the title role in a revival of Rudolf Noelte's production of Don Giovanni. (West Barlin 3410 249)

Schauspielhaus 20.00 Hans-Dieter Baum conducts the Orchestra of the Berlin Mueikhochschula in Dvorak'a Seventh Symphony and Biblical Songs, with Martina Borst contralto. (East Berlin 2272 261)

BIRMINGHAM

Symphony Hall 19.30 Simon Rattla conducts tha City of Birmingham Symphony Orchestra in Mark Anthony Turnage's Momentum and Henze'e Seventh Symphony, plus Beethoven'a Fifth Piano Concerto with Alfred Brandel. Repeated tomorrow et London'e Barbican Centre (021 212 3333)

DRESDEN

Semperoper 18.00 Georg Alexander Albrecht conducts Christine Mielitz's production of Lohengrin, with Klaus König in the titla rola, also Sat and next Tues. Tomorrow: Harry Kupfer'a production of Eugene Onegin. Sun: Friedemann Layer conducts first Dresden production of the three-act Lulu (4842 323)

THE HAGUE

Dr Anton Philipszaal 20.15 Peter Schreier conducts the Residentie Orchastre in Mozart's Prague Symphony and Mass in C, with soloists including Sylvie McNair end Anne-Sophie von Otter. Repeated tomorrow (3609 810)

HAMBURG

Deutsches Schauspielhaus 19.30 Dencing at Lughnasa: Michael Bogdanov directs the first German production of Brian Frisl'a eward-winning play, set in Donagal in 1936. Sat and Sun: new production of Chekhov'e The Cherry Orchard, directed and designed by Wilfried Minks in a new German translation by Andrea Cleman. Mon: one-man show by Michael Pennington, taking the form of a stage portrait of Chakhov. (248713)

Staatsoper 19.30 John Cranko's production of A Midsummer Night's Dream, also tomorrow. Sat: Bernd Weikl aings the title role in Tony Palmar's production of Simon Boccanagra. Sun: Die Zauberflote (351555)

LONDON

THEATRE

Royal Court
Death and the Maiden: Arial Dorfman'a South American tala of the consequances of tortura. Juliet Stevenson, Bill Patterson and Michael Byrne star in this emotional three-handar. Opening tonight, runs till Nov 30 (071-730 1745)

Wyndham's Theatre
The Rida Down Mt Morgan: new pley by Arthur Miller, directed by Michael Blakemore, etarring Tom Conti, Gemma Jones and Clare Higgins (071-867 1116)

Royal Shakespeare Company
The repertory in the main Barbican Theatre includes Chekhov's The Seagull directed by Terry Hands and starring Susan Fleetwood (tonight, also next Mon and Tues) and tha final performances of Oscar Wilde's comedy A Woman of No Importance, directed and designed by Philip Prowse (tomorrow and Sat). Later next week, Alex Jennings returns to give hie acclaimed portrayal of Shakespeare'e Richard II. In The Pit, tonight's show ia The Last Days of Don Juan, Nick Dear's adaptation of Tirso de Molina'e bawdy morality play. Chris Hannan's version of The Pretendars, Ibsen's first major success, can be seen tomorrow and Sat (071-638 8891)

Playhouse Theatre
Tartuffe: John Sessions, Peul Eddington and Felicity Kendal star in thia Peter Hall Company production of Moliere's comedy (071-839 4401)

Strand Theatre
Tha Revengar Comedies Parts 1 and 2: Alan Ayckbourn's new dark comedy starring Joanna Lumley and Griff Rhys Jones. The two parts ara played on consecutiva nights. On Wed and Sat, Part 1 is played in tha afternoon, Part 2 in tha evening (071-240 0300)

Theatre Royal Haymarket
Becket: Robert Lindsay and Derek Jacobi, as the king and Becket, star in Elijah Moshinsky'e production of Anouilh's play, using a vernacular translation by Jeremy Sams (071-930 8800)

Piccadilly Theatre
Tovarich: Jacques Deval'e comedy about Russian emigres whose circumstances force them into demeaning labour in a Parisian hotel. Patrick Garland's Chichester Festival production stars Robert Powell and the Russian ballerina Natalia Makarova in her first spoken-theatre role (071-867 1119)

● For ticket information about all West End ehows, phone Theatreline from enywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MUSIC AND DANCE

Royal Festival Hall 19.30 Vladimir Ashkenazy conducts tha Royal Philharmonic Orchestra in Mendelssohn's overture The Fair Melusine and Brahms' Second Symphony, with Maurizio Pollini aoloist in Mozart'a Piano Concerto No 27. Tomorrow: Armin Jordan conducts the Orchestre de la Suisse Romande in music by Frank Martin, Debussy and Roussel. Sat: Ingo Metzmachar conducts tha BBCSO in music by Schoenberg, Nono and Beethoven. Sun: Rostropovich conducts Prokofiev. Mon: Tennstedt conducts Mahler's Sixth (071-928 8800)

Queen Elizabeth Hall 19.45 Heinrich Schiff plays John Casken's Cello Concerto in a concert with tha Northern Sinfonia, in which he also conducts Beethoven'a Fourth Symphony and Piano Concerto No 1 with Christian Zacharias (071-928 8800)

Barbican 19.45 Paavo Berglund conducts the London Symphony Orchestra in Sibelius' Fifth Symphony and Shostakovich's Sixth, with Cecile Ousset soloist in Ravel's Piano Concerto in G. Tomorrow: Brendel plays Beethoven with the CBSO under Simon Rattle (071-638 8891)

Coliseum 19.30 Jonathan Miller's production of The Mikado. Tomorrow: La boheme. Sat: Graham Vick'e new production of Le nozze di Figaro (071-836 3161)

NEW YORK

MUSIC

Avery Fisher Hall 20.00 Claus Peter Flor conducts the New York Philharmonic Orchestra in Mozart's Symphony No 34, Mendelssohn'e Reformation Symphony and Siegfried Matthus' Timpani Concerto, with Roland Kohloff. Repeated tomorrow at 14.00 and next Tues (875 5030)

Metropolitan Opera 20.00 First performance this season of Aida, conducted by Rico Saccani with a cast including Aprila Millo, Nicola Martinucci and Dolora Zajick. Tomorrow: Un ballo in maschera. Sat: Dia Zauberflöte (362 6000)

New York State Theater 20.00 Steven Sloane conducts Frank Corsaro'a production of Tosca, with Edith Davis in tha title role, Vincenzo Scudari as Cavaradossi and Sigmund Cowan as Scarpia. Tomorrow: Dia Soldaten. Sat: La bohème (870 5570)

JAZZ/CABARET

● Algonquin Hotel: the Oak Room is currantly home to Jeff Harnar, a young singer with a big voice, a big smila and an overtly theatrical manner. His shows usually includa old favourites and some mueical surprises. Tues, Wed, Thurs at 21.30, Fri and Sat at 21.30 and 23.30. Dining (59 West 44th St, 840 6800)

● Carlyle Hotel: Bobby Short has just begun e two-month engagement in the Cafe Carlyla, with shows at 21.30 and 23.30 Tues to Sat (Madison Ave at 76th St, 744 1600)

● Blua Note: the place to find the big-league jazz artists. Music from 21.00. Dining (131 West 3rd St near 6th Ave, 475 8592)

● Bottom Line: e big plaasant room where June Tabor is performing this week. Shows et 20.00 and 23.00 (15 West 4th St, 228 6300)

● Fat Tuesday's: one of the city's top jazz epots, thanks to the club's talent bookers. Music from 20.00. Dining (190 Third Ave et 17th St, 533 7902)

ROME

Teatro Olimpico 21.00 Amar Amarica, choreographed by Angelin Preljocaj and danced by the Praljocaj company with music by Laurent Petitgand. Daily till Sun. (320 1752)

VIENNA

Staatsoper 19.30 Donald Runnicles conducts Il barbiare diiglia, with Gabriele Sima as Rosina. Tomorrow and Sun: Parsifal with Siegfried Jerusalam in the title role. Sat: Vaclav Neumann conducts Rusalka (51444 2960)

Konzerthaus 19.30 Wian Modern: Heinz Holliger is conductor and oboe aoloist in a concert with the Vianna Chamber Orchestra including music by Schnittka and Harrison Birtwistla (7124 6860)

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(all times CET)

MONDAY TO FRIDAY

Eurosport
0600-0630 International Business report

CNN
0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with a review of business stories
2300-2330 World Business Today
0100-0130 Moneyline

Superchannel
2130-2200 (Tues) East Europe Report – weekly financial report from FTTV.
2130-2200 (Wed) FT Business Weekly – the latest round-up of business news with James Bellini and Debbie Middleton.
2130-2200 (Thurs) Talking Heads

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY

Superchannel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
0710-0740 Moneyweek
1340-1400 Inside business
1540-1610 Your Money
1800-1830 World Business This Week
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Thursday October 31 1991

The defence of Europe

IN THE LIGHT of this week's progress towards an agreement on a European monetary union, it is all the more important for the European Community to resolve its differences over a future political union. Added urgency is given to the negotiations by Germany's insistence that it will not sign an Emu treaty in the absence of an accord on political union.

One of tbe biggest stumbling blocks is tbe disagreement over European defence co-operation. Ostensibly, that disagreement is not one of principle. Everyone concerned is in favour of a stronger European "defence identity". But behind this imprecise terminology lie deeply ingrained differences over the relative priority to be accorded to Nato, as the principal organisation responsible for Europe's defence, or to tbe European Community as the future arbiter of a common European defence policy. The rival Anglo-Italian and Franco-German plans amply reflect these conflicting attitudes.

The British and Italians have proposed that the nine-nation Western European Union sbould become tbe main vehicle for Europe's defence identity. But it sbould remain institutionally separate from the EC and the rapid reaction force that tbe plan proposes sbould be used only outside the Nato area.

Much more ambitious political objectives lie behind the Franco-German plan. As well as foreseeing the eventual creation of a European defence force, it wants the EC to commit itself to implementing "a common foreign and security policy which will eventually include common defence". Wbile it, too, proposes the WEU as the body for co-ordinating Europe's defence policy, it sees that body as "an integral part of the process of European union".

Inconsistent stance

Both plans are open to criticism. The British-Italian proposals appear to leave tbe WEU in a limbo between Nato and the EC, and do not come to terms with the inconsistency of excluding defence from a political union which is likely to provide for a progressive coordination of foreign and security policies.

France's and Germany's policies, too, are full of contradictions. The protestation hy Mr Roland Dumas, the French foreign minister, that Nato would remain "the most important instrument for security in Europe", is hardly convincing, coming from the representative of a country which has consistently stood aside from Nato's integrated command. Nor, in spite of Germany's undisputed loyalty to Nato, is it easy to see bow Nato's position could actually be enhanced by the Franco-German plan, as Mr Kohl, the German chancellor, claims.

Close involvement

The close North American involvement in Enrope's defence has been one of the great achievements of the last 40 years. It is an association which must be preserved, particularly given the uncertainties of the political situation in the Soviet Union and eastern Europe. But it should not be too difficult to find ways of marrying important elements of the two plans, without at the same time upsetting the US and Canada.

Most EC countries already agree in principle that the WEU is the most suitable instrument for Europe's defence policy, since all its members belong both to Nato and the EC. Its role should not he restricted to "out-of-area" operations only, as Britain now insists, but should also consist of a genuine co-ordination of European policies within the Nato area. While remaining an autonomous body during a first phase, formal machinery for regular consultations with both the EC and Nato should be set up to underline its role as a bridge between the two organisations. What happens in the longer run – to what extent the WEU should be subject to the EC decision-making process – is best determined in the light of this experience.

This gradualist approach, however, will only work if Europe faces up to the central contradiction in the debate. If Europe believes that its security is best guaranteed as part of the Nato command structure, sooner or later individual EC members, notably France, will formally have to accept this reality.

Dodging the pay issue

IT IS a golden rule of meetings that politically difficult or contentious subjects should be put at the bottom of the agenda. So "The Labour Market Challenge Facing Britain" was the last item at yesterday's National Economic Development Council. The union and employer representatives spent much of the time discussing traffic management systems.

It is a pity there was so little time for discussion. This year's annual pay round is among the most important Britain has faced for some years. Whether it turns out well depends in large part on the attitudes of employers and union leaders. The same cannot be said of London's traffic congestion.

Tbe cballenga facing Britain's labour market is to adjust to European levels of wage and price inflation without paying an enormous price in high unemployment and lost ontput. If British unit labour costs grow more rapidly than in Europe this translates directly into squeezed profits, reduced exporis and higher unemployment.

So Britain's export competitiveness is directly linked to the ontcome of this year's pay round. Britain's underlying inflation rate must fall to the average inflation rate among the core members of the ERM.

If, the Nedo discussion paper argues, the average European inflation rate will be between 1 per cent and 3 per cent over the coming year and average prodnctivity grows hy 2 per cent, then UK average earnings cannot be allowed to rise by more than between 3 and 5 per cent. Pay settlements, excluding overtime, must be between 1 and 3 per cent.

Competitive losses

In short, British wage inflation must fall to more than half its lowest level over the whole of the past decade. To offset the competitive losses of the past five years it would have to fall even further. Since 1985 UK unit labour costs have risen by 31 per cent, compared with just 11 per cent in Germany.

This reality does not yet seem to have fully sunk in among eitber unions or employers. The unions at Ford have already requested a rise of st least 7 per cent over the coming year plus a cut in hours. Ford is likely to concede a rise above the current, and irrelevant, level of backward-looking inflation.

Glib claims

Nor do these figures support the CBI's glib claims that the labour market adjustment to ERM membership has already occurred. UK pay settlements have only fallen half as far as they must if Britisb industry is to hold its ground in the ERM.

Britain's problems, according to Nedo, stem from the practice of collective bargaining at the plant level. Accelerating wage inflation, it argues, is less of a problem in countries where collective bargaining is more centralised, as in Germany, or where there is almost no collective bargaining at all, as in the US.

The answer is not to move to greater centralisation of pay-setting, as the Nedo paper points out. If anything, tbe British labour market needs more local wage flexibility at the regional and sectoral levels. This applies equally to the public sector as to the private sector. Nor, after 11 years of vigorous anti-trade union legislation, have the unions vanished from the wage bargaining system. Racant cool business reaction to the government's latest green paper suggests momentum here has come to a halt.

Yet this does not mean, as the Nedo paper suggests, that high unemployment and slow growth are inevitable. For the crucial ingredient is not centralisation but co-ordination. In particular it means co-ordinating expectations about the average level of wage inflation that the economy can afford at soma suitable national forum.

This, for once, is a Nedo paper which required action by Nedo itself; its substance should have been discussed at yesterday's meeting, not its theory. "The attitudes of pay bargainers on both sides of industry," it concindes, "will need to change radically if we are to escape the process by which unemployment has to rise sharply before pay increases begin to come down." Britain has no alternative to a middle, Euro-American way in pay bargaining. That way has still to be found.

Robert Peston examines the crisis confronting the Nordic banking system

Slippery slopes

Private-sector hanks are becoming an endangered species on the Scandinavian peninsula.

In the past six weeks, the Swedish, Norwegian and Finnish governments have between them committed £3.2hn of equity, loans and subsidies in a variety of rescue schemes for their banks. But having taken control of five big banks, the potential drain on their public funds is billions more than that, if economic conditions continue to deteriorate.

Some free-market economists might suggest that the banks should be allowed to collapse. Bnt this is simply not an option, according to officials in all three countries. Ms Anne Wihble, Sweden's new finance minister, says: "A big bank collapse would do too mucb damage to confidence." At stake, the Nordic governments believe, is the Nordic banking system, which would bave buckled had there been a run on deposits.

An analogy between today's Nordic bank collapses and the volatile banking climate of the 1920s and 1930s is drawn by Mr Anders Sahlen, the director-general of Sweden's finance inspectorate. "It is amazing bow similar things are."

Every bank in Finland, Sweden and Norway has been forced to make huge provisions in their profit and loss accounts to cover the risk of loan losses. Norway's second-biggest bank, Christiania, has the unenviable distinction of having made the biggest losses in the Nordic region – NKr7.2bn (£632m) before tax – in the first nine months of this year. It therefore required the biggest injection of state funds.

Bnt four other snhstantial banks have also needed government support: Den norske Bank, Norway's biggest bank; Nordbanken, Sweden's second-biggest hank, and Första Sparkbanken, the Stockholm-based savings bank; Skopbank, the central funding and commercial banking arm of Finland's savings banks.

The crisis stems mainly from Nordic governments' deregulation of their banking systems in the early and mid-1980s.

At the time, restrictions on financial markets throughout the world were being removed. By taking away the constraints on Nordic banks' ability to lend, the governments hoped these banks would become more efficient institutions.

However, they failed to recognise that deregulation was likely to lead to a credit explosion, unless interest rates were raised at the same time. A second mistake was their failure to give enough power to banking supervisors to prevent imprudent lending.

"Bankers had spent all their working lives under a system of severe regulation," comments Ms Wihhle. They had "no appreciation of risk", says Mr Finn Hvistendahl, president of Den norske Bank.

With restrictions lifted, the banks went on a lending spree. Between 1983 and 1987, Norwegian banks pushed up the volume of the loans they made by 20 per cent a year, an imprudent rate. The peak in Sweden was 1988, when there was a 25 per cent rise in lending over 1987.

Tbere was anormous demand for loans, because deregulation coincided with a worldwide reduction in interest rates. Indeed, the real interest rate – the nominal rate adjusted for the effects of inflation and tax – was negative for several years, thanks to relatively high inflation and generous tax benefits.

Interest rates were eventually raised in the Nordic countries in the late 1980s and the tax suhsidies on horrowing were also rednced. But this increase in the cost of borrowing came at precisely the wrong time. The three economies were already slowing down and the rate rises accentuated this trend.

Reckless lending might also have been curtailed if there had not been a Nordic tradition tbat depositors should never lose money when a bank runs into difficulties. "In practice, there has been 100 per cent protection of depositors," comments Mr Hermod Skanland, governor of Norges Bank, the Norwegian central bank.

Some of the hlame for the crisis must also be laid witb supervisors and tbe supervision system. "Until the beginning of this year, the system of prudential supervision in Finland did not have teeth," says Mr Jorma Aranko, head of Finnish banking supervision. He believes legislation has given him powers to prevent banks taking on excessive risks.

"No one warned about the possible loan losses," admits Mr Sahlen, his Swedish counterpart. Mr Sahlen has now set up a system of gathering more detailed information on banks' exposures to individual borrowers and sectors.

In Norway, Mr Arne Oien, senior adviser to the Norwegian finance minister, donbts whether supervisors could have been expected to detect prohlems wben the heads of the various banks were optimistic about prospects. But he adds: "We are looking at the question of whether the regulators are to hlame."

Officials across the Nordic countries are now trying to decide whether the worst is over. Ms Wibhle believes the long-term damage to the banks will depend on "whether property prices stabilise".

The hanks usnally lent against the security of property, hut at a time when prices were rising rapidly. In all three countries, property prices on average are now 30 per cent lower than their peak because of the rise in interest rates.

Bankers in Finland and Sweden have a separate anxiety. Many of their losses have stemmed from the financial difficulties of a few big customers. Their fear is that individnals and medium-size manufacturing companies may also start to default on loans.

In Sweden, tbe recent collapse of a group of companies controlled by the entrepreneur, Mr Erik Penser, led to billions of kroner in loan losses for Nordbanken. A further 18 customers, most in the finance company and property sectors, accounted for most of the rest of its losses.

The problems of Finland's Skoobank stemmed in large part from the difficulties of Tampella, the forest products and engineering group. At the biggest bank, Kansallis Banking Group, a FM270m (£7.04m) loan loss was recently taken on finance provided to the New York-based Finnish investor, Mr Pentti Kouri.

But in Norway, the private-sector banking system is extremely unhealthy. Norway has suffered from low economic growth for longer than the other Nordic countries.

The number of company bankruptcies began to accelerate rapidly in 1988 and may still be rising. There is also "a high incidence of non-performing loans in the personal sector", according to Mr Hvistendahl. About 20 per cent of Den norske Bank's loan loss charges stem from its exposure to consumers.

In other words, Norway's banks are in deeper tronble than other regional banks because every kind of business as well as private customers are baving trouble meeting loan repayments. So the Norwegian government is being forced effectively to nationalise the commercial banking system, through a rescue package.

Banking supervisors are trying to determine whether Swedish and Finnish banks are suffering from the same disease as their Norwegian counterparts, alheit at a less advanced stage.

Mr Karl-Olof Hammarqvist, a director of Den norske Bank, is concerned that the cycle of bad debts in Sweden might follow the trend of Norway. Swedish companies, like Norwegian ones, have traditionally earned a low return on capital. When there is an economic shock, there is therefore a great risk that they will not be able to make loan repayments.

Bnt the Swedish hanking system is more robust than Norway's. Mr Arne Martenson, the new president of Svenska Handelsbanken, Sweden's most conservative bank, points out that Sweden's big banks are more efficient than Norway's, as measured by the ratio of their income – before loan loss charges – to overheads. In his view the greater profitability of Svenska and its main rival, S-E Banken, will allow them to absorb any increase in loan losses.

The Swedish economy is in any case more diversified and therefore stronger than Norway's, which depends heavily on the oil industry. Mr Sahlen hopes Sweden's banks have enough capital for the country's banking system to survive the shocks without further injections of government cash.

His Finnish counterpart, Mr Aranko, ecboes these views. The country's two big banks, Kansallis and Union Bank of Finland, have surplus capital at the moment. But in Finland, gross domestic prodnct is falling at the alarming rate of 5 per cent a year, in part because of the collapse of its main market – the Soviet Union.

If Norway's private-sector commercial banks are almost extinct, Finland's and Sweden's should attract the attention of the conservationists.

BOOK REVIEW

Balm for the conscience

BODY AND SOUL
By Anita Roddick
Ebury Press, £12.99

Body Shop, the natural cosmetics gronp, is a unique retailing phenomenon. Body and Soul is the remarkable story of how Anita Roddick, managing director, built the company from one shop in Brighton into a highly successful global business.

Witb no formal hnsiness training, Roddick has expanded Body Shop into a retailer with more than 600 outlets in 38 countries and with greater overseas earnings than any other UK retailer.

A woman who professes that finance "bores the pants" off her has created a company with a stock market value of £563m – and confidently predicts: "We are capable of sustaining a growth rate of 40-50 per cent per annum for perhaps the next five or 10 years."

Her determination is inspirational. While raising two young children, Roddick set up the first Body Shop in 1976 at a time when her husband, Gordon, was away riding a horse from Buenos Aires to New York.

Fed np with buying over-packaged, over-priced cosmetics, Roddick believed that there must be a market for more simple products. She set about selling goods made from natural ingredients in plastic bottles normally used hy hospitals for urine samples.

The business was her means of survival. But she soon discovered that she had a zest for finding interesting products and a passion for selling them. With Gordon back from his travels, the Roddicks quickly expanded the Body Shop chain, largely by means of franchising outlets to like-minded individnals. The company was floated in 1984, turning the Roddicks into multi-millionaires overnight.

Bnt, as yon would expect, Body and Soul is far from a conventional corporate history. It is a curious mishmash: in part a polemic against the evils of the "monster" cosmetics industry; in part an environmental paean about how Body Shop can act as a paradigm for green businesses; in part an adventure tale of Anita Roddick's travels in search of spiritual experiences and new recipes for facial scrubs.

At times it almost becomes a narrative scrap-book relating colourful tales of what Anita did next. In one section she recounts how she helped the Indians of the Amazon defend their forests while buying Brazil nuts for oils; in another she relates her meeting with a Nepalese holy man who was given to suspending eight bricks from his penis to demonstrate his strength. (There is an eye-watering photograph to prove it).

But perhaps the most enligbtening section of the book concerns how she huilds morale in the company hy educating the staff and campaigning on a host of environmental and buman rights issues.

Body Shop's "benevolent anarchism" has become its hallmark. Roddick encourages all employees to challenge the accepted wisdom of the day and argues that it is essential to convince the staff that they also have the power to effect change.

But in spite of the company's campaigns, Roddick never loses sight of where its true interests lie. "Although both Gordon and I wholeheartedly support all our campaigning we would never sanction any of it if we could not afford it or if it somehow endangered the future prosperity of the company," she writes.

Tha book is written with great verve although the syrupy sentimentality sometimes cloys and the homilies that pepper the text veer between the pretentious and the banal.

What should the reader, for example, make of the comment that other retailers trained their staff "with an eye on the balance sheet; we trained them with an eye on the soul"?

But Roddick displays such passion that the reader is swept along with the arguments, scarcely stopping to question the premises. As she puts it in bold type – just to make sure yon know it is important – "When you take the high moral road it is difficult for anyone to object without sounding like a complete fool."

But at the heart of the book, and perhaps of Body Shop itself, lies an unanswered paradox. How can Roddick rail against the manifest wastefulness of a consumer society while harself atimulating demand for more consumption?

If Body Shop only sold essential goods that were clearly less environmentally harmful than those sold elsewhere on the high street then no one could object. But Body Shop does not just satisfy a need, it also creates a demand for what are in many cases essentially luxury items.

As Roddick herself solemnly writes: "One of the liabilities of a free-market economy is that plastic needs frequently overshadow real needs, so that the market is flooded with gadgets and gewgaws and daft inventions ... It is my belief that green consumers will be less susceptible in the 1990s to the temptations dangled hy an industry dedicated to creating artificial needs and products to fill those needs."

Well, quite. It would be ironic indeed if the environmental wave that Roddick has commendably done so much to stir np sweeps over Body Shop leaving the company and its peppermint foot lotions high and dry.

John Thornhill

OBSERVER

Royal appointment

■ Has some publicity wizard pulled a fast one on the Queen, who besides opening the new Thames bridge yesterday has allowed it to be called after her?

After all, since it is already known to Londoners as the Dartford Bridge, its official title Queen Elizabeth II Bridge is unlikely to be much used. So who's behind the decision to give it the royal name?

One possibility is bureaucrats worried that, by officially calling it after Dartford on the Kent side of the crossing, they might offend the proud burghers of Thurrock on the Essex side. But although transport department mandarins have hitherto tactfully termed it the Dartford-Thurrock Bridge, the royal re-christening was not their idea. As the project is a private-enterprise initiative, they explain, the sponsors choose the name.

And oddly enough, the project'a biggest shareholder is Trafalgar House, which happens to own a biggish ship also called Queen Elizabeth II. "It wasn't entirely our choice," says the company's founder Sir Nigel Broackes, "but we did propose it."

If there was a touch of commercialism in the idea, though, the monarch apparently didn't mind. "Wa had a message from the Palace asking if the ship could be at the opening as well," Broackes adds. "It would have made the most spectacular photograph in history.

"But there was a one-in-eight risk of fog, and we might have been unable to get the boat either in or out."

Chilly

■ Tomorrow morning a ship of the Chilean Armada sets sail for the Antarctic as the spearhead of Chile'a plan to carve out a new image for itself at next year's Expo international fair in Seville.

The first part of the ship's mission is to hack 100 tonnes of ice from the Antarctic continent. Then a sculptor on board will chip away at the frozen pillars during the 8,000-mile voyage to Spain, transforming them into fashionable ice sculptures for display at the fair.

"Wa wanted to do something original as Chile is the country closest to the Antarctic," says diplomat Oscar Pinochet de la Barra.

Environmental groups, however, are horrified. They see the scheme as nothing less than the rape of the last virgin continent on earth.

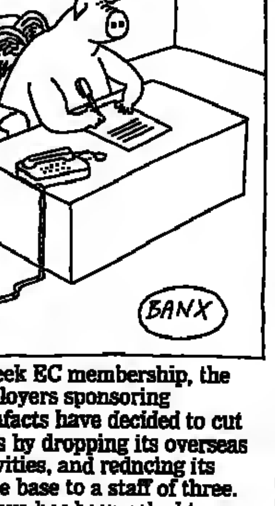
The diplomat disagrees. Chile's giant ice-lollies will not violate the Antarctic Treaty System's protocol on environmental protection, he says. "The protocol does not cover ice."

A more pressing problem for the organisers is how to stop the whole frosty caboodle from melting in Seville's sizzling summer. Engineers believe they can turn the trick by keeping the sculptures in a protective current of cold air. Bnt if it doesn't work, visitors to Chile's Expo pavilion will be in for a very soggy experience.

Frozen facts

■ Meanwhile Finland is freezing its image-huilding in another sense by taking the axe to its Finnfacts agency, which for 32 years has been promoting Finnish industry overseas. Besides providing services to business visitors to its homeland, the agency under its larger-than-life director Matti Korhva has won its cause many friends by its lohhying in New York, London, Paris and Brussels.

Now, with the Finnish government discussing whan to seek EC membership, the employers sponsoring Finnfacts have decided to cut costs by dropping its overseas activities, and redncing its home base to a staff of three. Korhva has been asked to leave and set up his own agency to organise hunting trips and suchlike for visiting panjandrums.



Blue chipped

■ Facilities & Property Management: 1 – IBM: 0.

The world's biggest computer company (sales $70bn-plus yearly) is used to throwing its weight around. But it had not reckoned on the stubbornness of a tiny British company with 40 staff and a £2m annual turnover.

When the six-year-old Financial & Property Management learned that IBM was spinning off its own property-management company under the name Property & Facilities Management, it cried foul. In talking to IBM as a potential client, it had disclosed lots of information about itself. Now the IBM offshoot was moving into the same market under a name which sounded remarkably similar.

When the multinational giant would not change its mind, the British company complained to the Department of Trade and Industry. But even the complainant was more than a little surprised yesterday to bear it had won and the IBM offshoot must he re-named.

Eastward ho

■ Britain and Germany may be sparring over foreign policy co-operation in the EC, but down on the ground they are getting together.

On top of the deal to co-operate in the Soviet Union comes news that a British diplomat is to be seconded for a year to bolster the German unification effort. Robert Barnett, a first secretary in the economics department of Britain's Bonn embassy, is being lent to the government of Saxony in former East Germany to promote British investment there.

He will live in a single room in Dresden Monday-Friday (accommodation is still acutely short in the east), and commute back to his wife and two boys in Bonn at the weekend. The only trouble is that he won't be getting the "bush money," as (west) German civil servants rudely call their DM2,000-plus bonus for working in the wild frontier-land of the east.

Even so, he hopes to persuade the Saxony government to give him a villa or the like (perhaps the party secretary's old holiday home?) on the grounds that he will need to entertain a stream of British would-be investors.

Meanwhile German civil servants, once extremely loth to up sticks and move east, are apparently now doing so in increasing numbers, thanks to the "bush money." Indeed, some of the ministries back in Bonn are starting to complain they are short of staff.

ECONOMIC VIEWPOINT

A better UK road to Maastricht

By Samuel Brittan

Many years ago I suggested that the UK should leave the Common Agricultural Policy but join the Exchange Rate Mechanism. A lot of water has flowed under the bridge, and the proposal has now to be brought up to date.

What I would now say is that the UK government should, even at this late hour, surprise everyone by agreeing to sign not only the Emu treaty, which enables it to postpone a decision on a single European currency; it should also sign the declaration which the Dutch have proposed, outside the treaty, saying that the signatories favour the earliest feasible move to such a currency.

On the other hand, the British government should take the toughest possible line on the unnecessary centralisation of economic and social policy, which the other 11 governments appear willing to accept in the political union treaty. If necessary it should use its veto at Maastricht to prevent any harmful strengthening in the powers of the EC institutions to indulge in harmful and ill-thought intervention against the free market.

It will not have escaped readers that this is the precise opposite of current official British thinking. The government is resolutely against committing itself to a single currency – hence the need for such a declaration outside the treaty – but has hinted that it is willing to compromise here and there on the other powers of the Community institutions.

Those who think that the internal politics of the Conservative party preclude such a reversal will read no further. But those who believe that it is occasionally possible to circumvent supposed partisan imperatives might be interested in the arguments.

The monetary side of the argument is the easiest. The biggest abdication of monetary sovereignty was made a year ago when the UK government joined the ERM and made clear its intention of making the entry parity stick. Whatever the theoretical ability to undertake a realignment, it is obvious from the mood of the markets that any unilateral realignment would deal a disastrous blow to confidence and credibility and lead to higher not lower interest rates. The Treasury and Bank have to pursue whatever monetary policy is needed to stay within the ERM bands, which will have to be narrowed to 2¼ per cent.

If the UK were to stay out of a single currency, it would still suffer the loss of monetary independence, but without reaping the full advantages. For instance, during periods of political turmoil, fresh inflationary pressures or bad balance of payments headlines, there might still have to be sharp increases in British interest rates to maintain confidence in the ERM parity. Even in good times, it would be difficult to eliminate altogether the interest rate differential against Germany.

Moreover, there would be a threat to the continued inflow of large-scale foreign investment, especially from Japan, if a single currency were formed without the UK. Parts at least of the overseas earnings of the City of London would also be at risk. One should add to these negative arguments a positive argument: Britain already meets the economic convergence conditions mentioned in the draft treaty for embarking on a single currency better than many other countries, which are keener on the idea. It is almost certain that the UK will in the end join the fast track of Community countries first to adopt the single currency, even if this prospect is to be veiled from parliament.


The European constitution-makers could learn from the US founding fathers

When it comes to political union, the British government should indeed dig in its heels, but not because of national sovereignty or the powers of the Westminster parliament. The latter has already been eroded far more by Britain's own elective dictatorship than by anything that could happen on the EC front. President François Mitterrand has no intention of being the last effective president of France; and Germany is not going to send troops on a mission of which it disapproves because of an EC vote.

On foreign affairs and defence, the reality is that so far from any threats to national identity from a common policy, the Community countries cannot even summon up enough courage and common purpose to brand Serbia as the aggressor for behaving in Yugoslavia as Saddam Hussein has done in the Middle East. They cannot yet bring themselves to take adequate economic measures (let alone consider anything military) to curb Serbian atrocities. These weakness would not be removed by treaty amendment.

Too many Thatcherites confuse federalism, which is not a real problem, with excessive centralisation, which most certainly is. Many of the items proposed for majority voting in the European Council or decision by the European Parliament are not ones which should be decided from the centre, even in a full-scale federation. Indeed, some of the powers the Commission already claims – for instance, in fixing maximum working hours – are on issues which are best decided at national or still lower level in the light of local conditions.

The real issue is not federalism, but needless centralisation. Items such as hours of work should not be decided from the centre, even in a full-scale federation

There is a simple starting point that can be put forward when faced with any proposed power for the Council of Ministers, the Commission or the Parliament. It is: is this an issue which is, or should be, decided at a federal level in the US; or does it make more sense for the individual states and lower tiers of government to decide it for themselves? Adult hours of work, for instance, are not laid down in Washington. It would be absurd for a united Europe, which is not yet a federation, to seek more powers for itself than the most important real federation in the modern world.

At a minimum, a political union treaty should embody a provision equivalent to the US Tenth Amendment, which states: "The powers not delegated to the United States by the constitution nor prohibited by it to the states, are reserved to the states respectively, or to the people." The matters reserved to the states include the control of manufacturing, trade, transport and corporate matters, labour and education. Income taxes were left to the states until 1913; and property and sales taxes (plus local income tax) are still in their hands.

Of course, there have been many efforts to widen federal power over the US economy by use of the inter-state commerce gateway. The argument still rages. For instance, the federal minimum wage would be regarded by market-inclined economists not merely as a misguided way of trying to help the poor, but as a handicap and distortion. Nevertheless, the federal minimum wage has usually been kept low and it is the additional provisions added by some states which have bitten.

In Europe there is a deep-seated divide between, for example, west German trade unionists, who suppose that to allow low-cost labour from some parts of Europe to compete in other parts is "social dumping", and market-inclined economists who know that discrepancies in pay and conditions are, in fact, necessary to offset differences in productivity and the numerous other circumstances which make it quite impossible for people to have the same rewards in Sicily and Norway, or for that matter in Palermo and Milan.

The natural interpretation of subsidiarity is that each decision should be taken at the lowest feasible level. This is perhaps clearest in relation to the environment. Matters affecting global warming or the ozone layer or atmospheric pollution clearly have spill-over effects and need to be regulated at a European, if not still higher, level. The condition of beaches, or most matters relating to rail and road construction, have their main impacts on the inhabitants of an area or those who choose to go there. At the very most, central control should be limited to the provision of information so that visitors know the risks they run.

There is, of course, no way in which a diplomatic negotiation will bridge deep-seated conflicts of economic beliefs which already split schoolmen in the 16th century. It is fair to add, however, that the interventionist side gains because many European heads of government are not interested in or lack knowledge of elementary market principles. Sometimes, too, there is a nonsensical administrative division in which, as in Germany, industrial and commercial matters are left to the economic ministries which have a free-market bent, whereas the labour market is left to the so-called "social" ministries whose inclinations are of an opposite kind.

The principle of subsidiarity, properly understood, should leave it to individual states, or even lower tiers of government, to make their own trade-offs. If an individual European country, or an area such as south Yorkshire, wants to limit working hours and accepts either lower take-home pay or higher unemployment in return – or does not believe that any such consequences will follow – it should be free to experiment. (The UK government has not helped the anti-centralisation case by abolishing subsidiarity for municipalities.)

Even those who are not particularly enamoured of free-market thinking can surely see that there is absolutely no prospect of anything like a Social Charter, with harmonised social security and similar provisions, being applicable in an enlarged Community of more than 20 countries, taking in the former communist countries, with widely varying living standards and productivity levels.

On the other hand, an enlarged Community can only function if many decisions are taken by majority vote. The way to square the circle is to limit the powers and tasks of the centre. Traditionally, these have been external trade, currency, law and order, and defence. United Europe will have to start with the first two.

LOMBARD

And don't forget to bring your bat

By David Marsh

Diplomatic manoeuvring has been growing ever more obscure during the run-up to the Maastricht summit. A confidential inter-governmental memo, a copy of which has been obtained by the Financial Times, may throw light on the likely outcome.

Dear John, Not much time for writing lately. Reunification has proved more exhausting than expected. I managed to escape, thank God, for a visit to Latin America last week and lost 2kg in the rain forests. As you will see when you come to Bonn on Friday, I have brought back some nice Amazonian rocks for my collection. They're next to the Ludwig Erhard photos on the shelf over my desk. (Thank Norma for the one of her, by the way). And some Brazilian fish for the aquarium – the ones with teeth. They will be especially useful for the next Chancellery discussions with our Free Democrat friends, who are again growing restive.

I do not envy you many things in the United Kingdom, John, you know that. Your roads, your cars, your food, your language – not for me. But I would not wish coalitions on anyone, not even on your predecessor.

It is now all in the past – hard to recall – but there was a time when I would approach our Anglo-German gatherings with a sinking feeling. My doctors actually told me that she put my blood pressure up. You, John, you succeed in actually lowering it. I'm told this is the effect you have on people. It's been only 10 months, I know, since we've been saying *Du* to one another. Our meetings may not have the same style as the ones with the French. We have none of the champagne and ceremony, and so on. But with you, I can be more myself, whereas François does have this odd habit of lurching into Baudelaire and then slipping in a sly point on the European central bank when my guard is down. I will never forgive him, either, for that postcard he sent me from his trip to Kiev a couple of years back to see Gorbachev, just after the fall of the Berlin Wall.

We get on so well that I believe I can be frank with you about the summit. Occasionally I think our press relations people have been doing their job too well. Some of your newspapers seem to think that we're dying to do a deal on Euro-union. Well, of course, we are in a way, but then again we're not, not really. You and I, we've both got our reasons for not wanting to go too fast. You've got your elections (to say nothing of you-know-who. Sorry to mention her again, John). I've got east Germany.

We really have no great desire – your financial boys must have told you by now – to ditch the D-Mark as quickly as all that. Our Bundesbank really has done a marvellous job on getting the Dutch to draw up the right conditions. What a useful thing it can be to have an independent central bank! You have to watch, of course, that they don't become too independent (remember Karl Otto?) But they can do a lot of the most unpopular work for you. They also take the blame if things go wrong. We have a feeling that, on these terms, no-one will really want to risk joining monetary union, certainly not Giulio. (Don't tell him that, will you, John).

It's public opinion which makes our lives so complicated. We Germans want to be as European as possible because we fear that others may think we're too strong. You British want to look as non-European as possible because you think that, otherwise, you'll look weak. Then there's the playing with expressions and phrases. Our republic is actually called "Federal", and no-one minds. In fact, as you may recall, you British rather insisted upon it. Don't fear: we'll find a way round all these matters in Maastricht. These are just words, after all. We all know that the most important matters are the ones we can do least about. Look at Yugoslavia, look at Yeltsin.

One bright note. The Chancellery carpenters have fitted out the nets in our skittles alley. Don't forget you promised my son – the one who's keen on alternative experiences – to bring your bat.

Yours ever,
Helmut

LETTERS

Opportunity 2000: costs, offsets and economic sense of initiative's aims

From Miss Fiona Webster.

Sir, Your praise of Business in the Community's Opportunity 2000 initiative in your thoughtful leader ("A better deal for women", October 29) is well placed. The prime minister's support for the initiative and his statements about the opportunities for women in managerial positions within the civil service is excellent: such a political lead has been badly needed.

But how ironic that in the same edition of your newspaper, you report a recent speech by Michael Howard, the employment secretary ("Warning over EC social programme"), in which he talks about the costs and burdens which would fall to industry and the state if the EC's proposal on the protection of pregnant women were to reach the statute books.

If industry and the government want to make a qualitative and quantitative difference to equal opportunities and women at all levels of the professional ladder, it will involve costs, but these will be offset against the economic advantages of higher retention of female employees in the British labour market.

Is it not time for the Department of Employment, the Treasury and Number 10 to start talking to each other? If it is not more careful about both the tone and the content of its pronouncements on these sort of issues (which are not just of interest to the political Left), the government risks creating another electoral banana skin for itself.

Miss Fiona Webster,
rue de Tolouse 42,
1040 Brussels, Belgium

From Ms Kay Coleman.

Sir, The launch of Mr Major's Opportunity 2000 was a bit late. Any enlightened employer in Britain already knows that it makes economic sense to give women more opportunities and are only too aware that, due to demographic changes, the largest source of new labour will be women returners.

Mr Major offers no real solution of how to break through the barriers that prevent a lot of capable women reaching the top. It is not clever politics to hint glibly that his cabinet *may* soon see a female member.

Are we seriously supposed to gasp with delight when, sometime before the next election, he appoints a woman who will then represent 4.5 per cent of the cabinet (a far lower proportion than is considered acceptable, public bodies having roughly 23 per cent and being currently encouraged by the government to have more).

There is no lack of exceptional female talent waiting in the wings, not least Gillian Shephard. She is widely accepted as having a brilliant and razor sharp mind, and the smart money must be on her for the appointment.

Come on, Mr Major, lead by example – stop posturing and start appointing.

Kay Coleman,
chief executive,
Harveys & Co,
Kings Mill,
Fairbottom Street,
Oldham, Lancashire

From Mrs N W Hopkin.

Sir, Your one-sided analysis of the government's new initiative for women, Opportunity 2000, has reached new depths of offensiveness. You point in your leader to the obstacles which motherhood throws in the way of a career; it would be just as true to observe those which a career throws in the way of motherhood. While the debate on education is fuelled by emotive demands about investment in the future it still does not seem to occur to you that to care for one's own children's development can be the biggest investment of all. In fact, it may well be the case that "the choice between active motherhood and a career" is forced on women, not by the inadequate provision of childcare, but by the very nature of motherhood.

N W Hopkin,
9 Avondale Road,
Mottingham, London SE9

Power to the patients

From Ms Shirley McIver.

Sir, The publication of the Patients' Charter could be a major step forward in improving health services standards and increasing accountability, and it may help patients understand what they're entitled to and what to expect when they use services. However, patients will not benefit if their expectations are raised and not met – a real possibility if the principles set out in the charter are not backed up by systems which make it easier for patients to obtain information and give their views on the quality of services.

There is also a risk that health authorities may see the charter as the answer to the problem of developing a dialogue with patients and the local community when in reality it is just the beginning of the dialogue. Our work on consumer feed-back at the King's Fund Centre has shown us that there has to be an active and continuing dialogue between service providers and users if their "rights" are to be increased in a real sense.

The Patients' Charter could herald a less paternalistic and more democratic health service, but this will only happen if its principles are turned into practices which give patients power.

Shirley McIver,
Consumer Feedback Resource,
King's Fund Centre,
126 Albert Street,
London NW1 7NF

Adviser only

From Mr John Antcliffe.

Sir, I have read Mr Peter Heathfield's letter (October 26). He is wrong in stating that N M Rothschild & Sons is linked to First Corporate Shipping, a London-based company which has recently agreed to buy the Port of Bristol from Bristol City Council.

N M Rothschild & Sons is currently advising the department of energy on options for the privatisation of British Coal but neither has, nor has had, any involvement whatsoever with First Corporate Shipping, the Port of Bristol or Bristol City Council.

John Antcliffe,
head, group corporate affairs,
N M Rothschild & Sons,
New Court, St Swithin's Lane,
London EC4P 4DU

Consensus emerging for companies to have a minimum proportion of non-executive directors

From Lord Ezra.

Sir, Michael Cassell's article ("Blueprint for good boardroom practice", October 28) on boardroom practice, otherwise known as corporate governance, is to be welcomed. There has rightly been increasing debate on how the larger quoted companies should be run, with specific reference to the role of non-executive directors. Sir Adrian Cadbury's committee will no doubt endorse many of the findings on this subject of Pro Ned, the Institutional Shareholders Committee, the Confederation of British Industry and the Institute of Directors – to name but a few who have ventured into this field.

A consensus is now emerging. Larger quoted companies should have a minimum proportion of non-executive directors, not less than one-third. These directors should be experienced persons, drawn from outside the company. They should be members of an audit committee and a remuneration committee. Above all, they should express an independent view at board meetings.

The problem is in making all this happen. Some companies have moved very far in this direction; others very little. So long as there is no obligation to conform the process will be slow.

I therefore support the view of Sir James Ball, as quoted in the article, that there should be a legal sanction in these matters. The companies acts are noticeably deficient in any reference to the functions of directors.

I consider this should be put right in the next piece of appropriate legislation. This would be part of the process of preparing British business for the 21st century.

Derek Ezra,
House of Lords,
Westminster
London SW1

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Thursday October 31 1991

Renault strength proves chief weakness

William Dawkins analyses a strike that has brought the French carmaker to its knees

THE two-week pay strike that has crippled Renault, the French state-owned carmaker, reveals strengths and weaknesses which echo across French industry.

The speed of the chain reaction sparked by the strike at Renault's main gearbox and engine plant at Cléon, west of Paris, is reminiscent of one of those forest fires that sweep southern France from time to time.

By Monday, practically all domestic production at what is France's second largest company in sales terms had been halted, even though the strike itself is confined to Cléon.

The Dutch plant of Volvo, which takes engines from Cléon, halted production a day later. Several small Renault component suppliers have also been hit and production of the Espace van at Matra was suspended for several days.

Renault is now losing 5,000 vehicles daily, around 60 per cent of world output. It estimates that the stoppage has so far cost "several hundred million francs".

Paradoxically, it is one of Renault's strengths that has made it so vulnerable. The company has made swift progress in recent years in reducing factory stocks to the minimum level needed to let production tick over.

Mr Michel Praderie, a senior Renault director, believes this has enabled the group to cut working capital by FFr1bn ($174m) a year over the past five years.

But the risk, as Renault has found, is that one supply blockage can quickly bring the whole company to its knees. Ford suffered the same fate in 1988 when a strike in Britain disrupted production severely in Belgium and Germany.

Renault's weakness has been to allow a high proportion of engines and gearboxes to be sourced from a single plant. Adding to this is Renault's heavier dependence than Japanese competitors on in-house components. It buys just 50 per cent from outside suppliers, while Japanese carmakers have reduced dependence to 30-40 per cent, according to one of their suppliers.

The strike has highlighted another weakness of French industry. Japanese-style management depends on good labour relations, something in short supply in the French public sector.

The Patronat employers' organisation, recognising the national significance of Renault's problems, has supported calls for police intervention to allow non-striking workers through picket lines at Cléon.

Until now, the wave of labour disputes hitting France this autumn has been mainly confined to the public sector. But employers are conscious of the potential impact on private sector pay demands if Renault's management caves in.

Yesterday, the outlook for a negotiated settlement seemed remote. The government launched an effort to get negotiations going, but both sides were holding firm.

The strike was started by the communist-led CGT, which wants to renegotiate a 2.5 per cent pay rise agreed last July by all Renault's main unions except for the CGT and the CFDT, which is supporting CGT pickets.

Renault's management maintains that more than 60 per cent of Cléon's 5,600 employees want to work, and that they will continue to be paid – at a reduced rate – whether or not they can get into the plant.

The CGT, however, is adept at keeping them out. It has been in fighting mood ever since losing its majority earlier this year on the Renault works council for the first time since the company was nationalised after the war.

Crucially, it managed to keep a majority at Cléon, now shown to be Renault's Achilles heel.

The management says it will only negotiate if the CGT allows workers access to the plant.

Renault has obtained a legal injunction against the pickets and made repeated calls for a reluctant government to send in the police.

The management's tough line is a consequence of the freedom obtained in recent years to run Renault along normal commercial lines.

Mr Raymond Lévy, Renault's chairman, might be fortified by the memory of how Mr Jacques Calvet, chairman of private-sector Peugeot, faced down a CGT-led strike two years ago.

However, the impact of that strike was limited by the fact that it was confined to two assembly sites and did not hit a big component plant.

The government's mood has changed since then, along with the decline in its political fortunes. Mrs Edith Cresson, the prime minister, has shown a willingness to curb the freedoms of state company managers. She protested at plans for job losses at Renault and elsewhere, sensitive to the political cost of high unemployment.

Rather than ordering the police to smash the CGT's barricades, Mrs Cresson is putting pressure on Renault's management to negotiate.

The government clearly wants to lower the political temperature at a time when it has only just defused a pay dispute with public service workers and is struggling to keep angry farmers at bay.

In particular, it was criticised earlier this month for failing properly to control the police, after teargas and water cannon were used against demonstrating nurses.

Already, some commentators are drawing uncharitable comparisons between the crackdown against nurses and the delicacy with which the CGT is being handled.

Brussels to seek increase in road freight costs

By Richard Tomkins, Transport Correspondent, in Prague

THE European Commission is to publish a transport white paper by the end of the year seeking big increases in the cost of moving goods on Europe's roads.

Mr Karel van Miert, EC transport commissioner, sees the measure as essential if traffic congestion is to be prevented from triggering a European economic and environmental crisis.

In Prague for the first day of an EC-sponsored Pan-European Transport Conference, Mr van Miert told the Financial Times that he wanted a market solution to the problem of traffic congestion.

"Road transport is too cheap," he said.

"You hear of potato producers in southern Germany who send their potatoes to a factory in northern Italy to be treated, then bring them back to south Germany for packing and distribution. The question is whether that sort of operation would be economically meaningful if road users paid the real cost of transport."

In most countries belonging to the EC, the cost of building and maintaining roads far exceeds taxation on road users, and at the moment no countries impose charges for environmental damage or pollution.

Mr van Miert said higher charges would encourage industry to consider more environmentally-friendly ways of transporting goods using modes such as rail, or to reorganise their businesses in a way that shortened supply and distribution lines.

Karel van Miert: irritated

In the short term, Mr van Miert said, higher charges could be collected by harmonising fuel and vehicle taxes at the highest EC rate – Britain's – but he hoped to see a system of electronic tolling in operation by the end of the decade.

Mr van Miert's views reflected concerns voiced at the conference about the consequences of unbridled traffic growth.

Recent moves towards the unification of Europe have reinforced these fears, since the creation of new economic ties is expected to accelerate the already rapidly increasing flow of people and goods across the Continent.

Particularly vulnerable are the countries such as Austria and Hungary in central Europe which are at risk of finding themselves at the crossroads of both east-west and north-south transit traffic.

Mr van Miert said his white paper would set a basic framework for the development of transport policies in the community and the rest of Europe from 1993 to the end of the decade.

Safety, the environment, and the financing of infrastructure would be embraced by the document, but the centrepiece would be charging for transport on market basis.

"Sustainable mobility is the key phrase," he said.

Mr van Miert added: "Extra cost is the price we have to pay if we are to avoid getting to the point where everything collapses."

Brazilian markets calmer but fears over hyperinflation persist

By Christina Lamb in Rio de Janeiro

BRAZILIAN financial markets were calmer yesterday after Tuesday's chaos, but confusion remained amid widespread fears about hyperinflation and increasing hostility between government and business.

Yesterday, the value of the dollar in the parallel market fell back from its Tuesday night peak of 1,000 cruzeiros to 950, although this was still a 30 per cent rise in two days. Mr Claudio Prado, a financial trader, said: "The market is more stable but anxiously waiting to see what will happen."

The domestic price of gold and the value of the dollar on the Brazil's parallel market had risen sharply on Tuesday. This followed the suspension of gold market operations by the central bank, which cited a fall in foreign exchange reserves to critical levels.

Mr Francisco Gros, central bank governor, yesterday attempted to calm matters: "This is a speculative phenomenon in a small market that does not affect the majority of Brazilian people." Interest rates, now at 4,000 per cent a year, would remain high, he added.

Many businessmen and bankers spent the day in crisis meetings. Mr Mario Amato, president of the powerful São Paulo Federation of Industries, attacked the government in a speech: "The lack of confidence in society is generalised. The saver does not trust the government as debtor, the taxpayer has no faith in the government as administrator of public money, the investor has no confidence in the government as the controller of economic policy and the population does not trust the government as guardian of the country's purse."

Opinions are divided over whether President Fernando Collor has lost control of the situation or is employing a strategy that this is actually part of an orthodox plan designed to throw the country into chaos and frighten the population, particularly Congress and the business community, into accepting tough measures based on the government's proposed constitutional reforms and a reduction in import tariffs.

The central bank governor seemed to confirm this yesterday. Mr Gros said: "The real shock that we need is one of truth and not to continue masking reality as we have been doing for years."

Despite the worsening situation, economy ministry officials insist an accord will soon be signed with the International Monetary Fund. A mission leaves for Washington on Sunday to continue negotiations for a $2bn standby facility. But the price of Brazilian debt on the secondary market has fallen from 27.5 cents for every dollar of face value to 22.75 cents this week.

Brazil debt, Page 22

Guerin to face fraud, arms dealing charges

By Thomas Flannery in Lancaster, Pennsylvania

MR JAMES Guerin, the man at the centre of the Ferranti scandal, will be indicted today in the US on criminal charges of fraud and illegal arms sales to South Africa.

More than a dozen of Mr Guerin's former top executive colleagues at International Signal and Control, the US company which he founded, will also be indicted.

Ferranti, the UK electronics group which acquired ISC in 1987, has been fighting for survival since discovering the alleged £215m ($370m) fraud at ISC two years ago.

It is understood that several South Africans who assisted Mr Guerin with his business deal will also be charged with offences in the US.

The legal action in the US could become controversial as Mr Guerin is likely to defend himself by claiming that the CIA knew of his activities as an arms dealer.

The charges, to be presented by the US Attorney's office in Philadelphia today, are the culmination of a four year inquiry by the US authorities into Mr Guerin's arms deals.

Ferranti alleges that it merged with ISC on the basis of accounts which showed that ISC had at least three lucrative contracts in the Middle and Far East.

According to Ferranti, these contracts proved bogus, ISC's profits were grossly inflated and its net worth at the time of the acquisition was zero.

Peat Marwick, which audited ISC's, books paid Ferranti £40m in August to settle the legal action Ferranti had started against it over the acquisition.

US investigators have also probed ISC's alleged sales of embargoed US military electronics and other technologies to South Africa, Chile and Middle Eastern states.

Ferranti is attempting to enforce a UK court judgment ordering Mr Guerin and some of his associates to repay it $189.9m in compensation for the alleged fraud.

Madrid conference opens

Continued from Page 1

pared to provide guarantees, technology and support to back peace agreements. He also said he would call on US allies in Europe and Asia to provide financial resources.

Both the Israeli and Arab participants expressed satisfaction with Mr Bush's statements.

The conciliatory mood may alter today when Mr Yitzhak Shamir, the Israeli prime minister, and the leaders of the Palestinian, Syrian and Lebanese delegations make their opening speeches. They are likely to set out their more entrenched positions.

Already there is a dispute over an Israeli demand that the bilateral negotiations due to begin shortly after the opening ceremonies end tomorrow move quickly back to the Middle East. Mr Binyamin Netanyahu, Israeli deputy foreign minister, said this would be an important measure of the willingness of the Arab states to make peace. The Arabs want to remain in Madrid.

Israel is pressing the US on the issue, which has emerged as the first test for the conference. Mr James Baker, US secretary of state, said he hoped none of the participants would insist on setting pre-conditions for the follow-up talks.

US Fed allows key rate to fall

By Michael Prowse in Washington

THE US Federal Reserve allowed a key interest rate to drift lower yesterday, a move interpreted by many market participants as an easing of monetary policy.

Analysts said the Fed's failure to drain reserves from the system indicated it had lowered its target for the Federal funds rate by a ¼ point to 5 per cent. An easing of policy had been expected after weak consumer confidence figures and a fall in new home sales.

Mr William Griggs, a "Fed watcher" at the Wall Street firm Griggs and Santow, said the Fed's failure to intervene indicated it "probably eased by a quarter point".

Mr William Dudley, an economist at Goldman Sachs, the New York investment bank, said the weight of evidence implied an easing of policy.

But the Fed had not sent a clear signal. It never formally announces a cut in the Federal funds rate – the rate at which banks lend to each other. Movements, however, are usually clearly signalled by moves to add or drain reserves in the money markets.

Whatever the Fed's intentions, markets remain confident that monetary policy will be eased in the next few days.

Yesterday the Commerce Department reported a 13 per cent fall in sales of new homes in September, another sign that the housing recovery is losing momentum. Figures for personal consumption in September were more encouraging, showing a 0.9 per cent rise. But the increase outstripped growth of personal incomes, leaving analysts worried about trends for the fourth quarter.

The dollar was trading in New York at DM 1.6725 at lunchtime after falling in London to a four-week low of DM1.6685 from DM1.6905.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	F	18	65
Algiers	F	22	72
Amsterdam	F	8	46
Athens	F	14	57
Bahrain	S	29	84
Bangkok	F	33	91
Barcelona	F	17	63
Beirut	F	25	77
Belfast	S	8	46
Belgrade	S	5	41
Berlin	S	5	41
Biarritz	C	14	57
Bombay	S	34	93
Bordeaux	F	15	59
Boulogne	R	11	52
Brussels	F	10	50
Budapest	S	4	39
Buenos Aires	R	19	66
Cairo	S	30	86
Cape Town		–	–
Caracas	C	29	84
Casablanca	F	20	68
Chicago	R	6	43
Cologne	S	6	43
Copenhagen	S	7	45
Corfu	F	17	63
Dallas	C	7	45
Dublin	S	10	50
Dubrovnik		–	–
Edinburgh	C	11	52
Faro	S	21	70
Florence	S	13	55
Frankfurt	S	5	41
Geneva	C	9	48
Gibraltar	S	19	66
Glasgow	C	11	52
Helsinki	C	2	36
Hong Kong	S	25	77
Innsbruck	S	7	45
Inverness	R	10	50
Islamabad	F	27	81
Istanbul	F	9	48
Jakarta	C	33	91
Jersey	R	11	52
Johannesburg		–	–
Lima	C	22	72
Lisbon	Fg	17	63
London	C	12	54
Los Angeles	S	13	55
Luxembourg	C	2	36
Madeira	S	22	72
Madrid	Fg	8	46
Majorca	F	19	66
Malaga	S	20	68
Malta	F	20	68
Manchester	F	11	52
Manila	C	31	88
Melbourne	F	28	82
Mexico City	C	27	81
Miami	F	25	77
Milan	F	8	46
Montreal	S	1	34
Moscow	C	-3	27
Munich	C	-1	30
Nairobi	F	24	75
Naples	F	16	61
Nassau	C	29	84
New Delhi	S	29	84
New York	S	8	46
Nice	C	15	59
Nicosia	F	23	73
Oporto	C	15	59
Oslo	C	5	41
Paris	Dr	10	50
Peking	S	14	57
Prague	S	3	37
Reykjavik	F	11	52
Rhodes	S	21	70
Rio de Janeiro	C	33	91
Rome	S	17	63
Salzburg	S	3	37
San Francisco	S	13	55
Seoul	S	17	63
Singapore	F	32	90
Stockholm	C	6	43
Strasbourg	C	7	45
Sydney	S	22	72
Taipei	C	24	75
Tangier	S	21	70
Tel Aviv	S	25	77
Tenerife	S	25	77
Tokyo	C	18	64
Toronto	S	3	37
Tunis	F	20	68
Valencia	F	21	70
Venice	S	10	50
Vienna	S	5	41
Warsaw	C	2	36
Washington	S	4	39
Zurich	C	5	41

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

THE LEX COLUMN

Full Marks for the moment

Marks and Spencer has once again proved that it is a retailer for tough times. The first interim profits dip for a decade stole the headlines, but the market was more impressed by fresh evidence of its ability to keep UK costs under control. The reward for holding net margins in the face of a 3 per cent fall in food volumes and a 10 per cent drop in sales of other products was a generous 6 per cent jump in the share price.

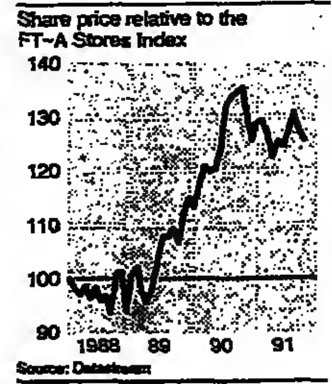
The question remains, though, whether Marks is also a stock for the good times. Impressive as the cost containment story is, the company's flexible overhead structure is inherently suited to riding a recession. Large stores with scores of part time employees can respond quickly to lower turnover levels in a way which high street operators with relatively small scale outlets are denied. The consequence is that any resumption in growth, relatively speaking, should be of more benefit to those with a fixed cost structure. Fiercer competition between food supermarkets, meanwhile, looks to be having a growing impact on Marks' high quality, high added value end of the business. No doubt the company will poach back market share with its forthcoming value for money campaign, but there must be a long term threat from the competition moving into traditional high quality territory.

European expansion may one day make up for the limited potential to increase floor space in the UK. But while the company seems to have found a successful formula for translating its format to the continent, even quadrupling square footage as intended in the medium term plan will not transform the bottom line. Although the shares have underperformed the market in November and December for the last eight years, they will doubtless react when concrete evidence of recovery finally arrives. The longer term looks less exciting.

FT-SE Index: 2,577.1 (+23.8)

Marks and Spencer

Share price relative to the FT-A Stores Index



Source: Datastream

Reed International

Perhaps any chairman anxious to boost his share price should simply declare an end to the recession. Even a qualified statement to this effect helped produce a 7 per cent gain in Reed International shares yesterday. Admittedly, interim pre-tax profits of £85m were slightly above expectations and the dividend has been raised, but the jump in the share price suggests the market believes Reed is finally on the verge of vindicating its strategy of concentrating on core publishing activities.

A second-half recovery does not present much of a challenge, if only because the comparable period was beset by restructuring charges, the Gulf War and an unfavourable currency translation rate for US earnings. A first time contribution from Macmillan directories – an acquisition funded with cheap commercial paper – should also help offset negative comparison with a period during most of which TV listings were still not de-regulated.

Thereafter it is much more a matter of faith in the economy. Reed's business is by nature highly-geared operationally. Given a favourable economic climate, pre-tax profits should rebound sharply in 1992/3. Yet, even the more optimistic assumptions, do not show them returning to pre-recession levels before 1993/4. Even before yesterday, Reed had outperformed the market by 17 per cent since June. To justify much more, a veritable boom would have to be in the offing.

Invergordon

In the event, it was not quite the cliffhanger expected by the market, but the lapse of Whyte & Mackay's bid does not mean that Invergordon has miraculously retained its independence. In the short term at least, its position is decidedly unsatisfactory. W&M is left owning just under 40 per cent of Invergordon's shares and it was quick to reiterate that it will not walk away.

The bidder fell sufficiently short that a full re-run of Leucadia's attempt to topple Molins by creeping control is unlikely. Nevertheless, to justify its strategy, let alone its £140m investment, W&M must demand a say at board level. The question is whether it will prove possible to do so without prejudicing Invergordon's prospects for growth. If co-operation ensues, W&M can reflect that it has paid a hefty price for pursuing the informal talks between the two which were closed off by the bid.

Those institutions which held out must be taking a heroically long-term view of the whisky industry. More likely, they simply wanted a higher price. Logic suggests that even while W&M completes its web, the same fund managers which refused to sell at 275p have no intention of selling at all. That is just as well, because they are now firmly locked in. Having seen a fine return on their investment in Invergordon, largely thanks to W&M's bid, they are unlikely to see much in the way of further gains over the next year – unless the two companies reach an agreed deal and can obtain the approval of the Takeover Panel. If that seems implausible, so did the eventual outcome of the bid.

PSBR

It is a safe bet that the Chancellor will again wax lyrical about the recovery in tonight's Mansion House speech. Less clear is whether he will have any new ideas on funding a Public Sector Borrowing Requirement that could easily approach £20bn next year. The gilts market is beginning to believe he will. It has already partially discounted a possible change that would allow the government to fund some overseas expenses, like contributions to the European Community budget, by issuing Ecu-denominated bonds.

The UK issued a popular Ecu2.5bn bond in February, but its proceeds were simply credited to the reserves and would not technically count as PSBR funding unless converted into sterling. Changing this rule could easily open the way to saving some £4bn in gilt sales a year. An alternative would be to start including the banking sector's gilt purchases in the funding total. Yet this might not reduce the funding requirement much. It might also be seen as a permanent weakening of monetary control, despite broad money's sluggish current growth. The gilt market is thus inclined to bet on Ecu borrowing. It will be disappointed if the Chancellor does not offer some relief from the threat of over-supply; that disappointment will be registered in the price.

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday October 31 1991

INSIDE

Chrysler cuts loss to $83m in third quarter

Chryslar, tha US car manufacturar, has reported a third-quarter net losa of $83m, compared with a corresponding $214m loss in 1990. Sales and revenues totalled $7.5bn, up from $6.5bn last year. Tha results were better than Wall Street analysts had expected and underlined Chrysler's successful cost-cutting campaign. Page 20

Vietnam to award new offshore oil exploration licences

Vietnam will announce ahortly the outcome of the one of the oil industry's most eagerly contested battlee for exploretion licences. The offshore acreage under offer ie regarded as having great potential beceuse it lies close to Viatnam'e only producing field, White Tiger, which was discovered by Mobil before the fall of South Vietnam in 1975. Page 26

Japanese dissolve joint venture

Two Japanese electronics companies, Fujitsu and Hitachi, are to dissolve a 20-year-old joint venture company formed to counter IBM's influence in the Japanese computer merket. Set up under the guidanca of the Ministry of International Trade and Industry (Miti), the venture was intended to develop tha domestic computer industry. Page 19

Recovery hopes pass Toronto

Interest rates in Canada are falling steeply, Inflation is under control end many companies are starting to feel the refreshing breeze of economic recovery. Investora on the Toronto Stock Exchange, however, have ao far found little to cheer about. Page 38

Hope rises for wool producers

A 35 par cent rise In Australlan fine woot prices in tha past fortnight has given a boost to New Zealand sheepfarmars who hava had one of the worst seasons in decades. Although the International fashion trade appears to be staging a temporary shift from cotton to wool, a 4m-bale Australian stockpila continues to overhang the market. Page 26

Christiania cuts costs

Christiania Bank, Norway's second biggest bank, which has fallan into the hands of government administration, announced yesterday that in 1992 It would cut costs by NKr580m ($88m). Page 18

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Aachen Mch Reg	768	+	17
Colonia Konz Pf	635	+	30
Didier-Werke	176	+	6
Rhmetall Brn	323	+	15
Falls			
Holzman Ph	1170	–	50
Volkswagen	338	–	5.5

NEW YORK ($)

Rises			
Chrysler	12¼	+	1⅛
Continental Bnk	11¼	+	1¼
Merchants Natnl	38	+	9
Novell	48½	+	2⅝
Falls			
Kellogg	103¼	–	2
National City	36⅝	–	3⅛

New York prices at 12:30.

PARIS (FFr)

Rises			
Alcatel Alsthom	619	+	11
Axa	925	+	21
BIC	724	+	22
Carrefour	2090	+	52
Club Med	440	+	12
Intertechnique	810	+	29

TOKYO (Yen)

Rises			
Chudenko	4720	+	500
Izutsuya	682	+	62
Jujiya	650	+	59
Niigata Chuo Bk	847	+	70
Shimura Kako	1090	+	140
Yamaichi Seizo	1400	+	170

LONDON (Pence)

Rises			
ASDA	42	+	3½
BLP	55	+	3
EMAP	206	+	7
Finlay Pckg	45	+	16
Fisons	462	+	18
Frogmore Ests	340	+	11
ICI	1287	+	27
Marks Spencer	291	+	18
News Intl	271	+	9
Reed Intl	504	+	33
Shiloh	96	+	5
SmKl Bchm A	807	+	44
Utd News	399	+	11
Falls			
Albert Fisher	87	–	4
Conder	10	–	6
Eurocopy	92	–	5
Ferguson Intl	271	–	16
Glynwed	226	–	9
Low & Bonar	263	–	7
Radius	40	–	5
Transport Devs	258	–	11

Greenbury questions strategy for growth in food trade

By John Thornhill

MR RICHARD GREENBURY, chairman of Marks and Spencer, yesterday became the first leading retailer to raise donbts ebout the sustainability of the big expansion plans in the grocery industry.

"Somebody, somewbere has got their figures wrong," be said "They cannot all go on growing."

Commenting on the results of M and S's food division announced yesterday, Mr Greenbury said: "The food business is not a growth industry and Sainsbury's and Tesco are adding 800,000 sq ft to 1m sq ft of space every year each. It is a battle royal that is taking place and I think thet thet is clearly having an impact on ourselves. We are going to have to weather that storm while it plays itself out."

Mr Greenbury said M and S would avoid the worst competitive pressures in food retailing because it appealed to a different market and was still located largely on main sbopping streets.

"If we have a store and two large Sainsbury and Tesco stores open next door it has an effect on our sales. But what is interesting is just how little impact it has. It suggests to me that our customers by and large are staying loyal to us."

However, M and S's food business is clearly under pressnre and sales only showed a 1 per cent gain to £1.01bn ($1.73). The food division's contribntion to profits was not separated from the retailing profits.

During the half year, M and S food prices were only raised 2 per cent compared with an average of 5 per cent across the indnstry in an attempt to increase competitiveness.

"We were determined that we would improve the valne of our foods and we now compare with anybody," said Mr Greenbury.

Analysts have suggested the grocery market is polarising between strong players such as J. Sainsbury, Tesco and Safeway and the weaker Asda and Gateway chains, with M and S trying to remain on the sidelines.

But the City of London has become increasingly jittery about the food retailing sector as a whole following reports of possible price wars and concern about the scale of investment.

The big three chains have raised £1.4bn in eqnity finance this year to plough into expansion and Asda is struggling to get a mnch-need £357m rights issue away.

Some analysts argue that something or somebody has got to give in the industry.

UK food and clothing retailer hit by recession

M and S profits fall 7%

By John Thornhill in London

MARKS AND SPENCER, the UK food and clothing retailer, registered its first fall in interim pretax profits for a decade wben it yesterday unveiled a 7 per cent decline to £315.2m.($370.14m)

The fall was blamed on recession, warm autumn weather, the rise in VAT, and the £16.9m exceptional costs for its 560 job redundancy programme.

In the 26 weeks to September 28. sales, exclnding VAT, fell marginally from £2.66bn to £2.64bn but Marks and Spencer lifted operating profits from £235.6m to £236.5m.

Mr Richard Greenbury, chairman, said he thought it was a "remarkable" performance. "We have sailed through the worst recession for 40 years relatively unmarked and we are opening 700,000 sq ft this year without a penny of borrowed money."

The company said it had experienced an "encouraging sales uplift" in October although "the timing and the strength of the recovery remains uncertain".

In the UK, retailing profits slid from £231.6m to £227m but they were more than offset by an improved contribution from financial services of £9.5m, np from £4m.

European operations again performed strongly although pre-opening costs pegged their contribution to operating profits to £5.7m, against £8m. "We have 17 stores at the moment and will have 20 by the end of the year. We are looking for a significant increase in sales and profits in the second half of the year," said Mr Greenbury.

But M and S said it would take firm action to staunch the losses at its Canadian business, which deepened to C$11.3m (£5.80m) from C$5.5m. The company has appointed Burns Fry, the Canadian investment banker, to advise it. "There will be a series of decisions over a number of months but be assured that we will clean it up," he said.

US profits slipped from $5.8m (£3.37m) to $5.5m.

The interim dividend increased 5 per cent to 2.1p. Earnings per share after exceptional items slid from 5.5p to 5.2p.

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Lex, Page 20
Reed International results, Page 22

Retailers see a small light at the end of a very long tunnel

UNTIL now, only politicians have been prepared to declare the beginning of the end of recession. Retailers have largely kept quiet, fearing another false dawn.

Yesterday's encouraging, albeit cautious, noises on current trading from Marks and Spencer and Reed International gave the strongest indication so far that retailers may be seeing a faint light at the and of the tunnel.

Trading in October has seen a "noticeable improvement," according to Mr James May, director general of the Retail Consortium, which represents 90 per cent of the UK's retailers. "We are getting tbe strong impression that things are beginning to pick up again." However, he added it was too early to count on a sustained recovery.

Mr Richard Greenbury, chairman of M and S, agreed: "October was much colder than last year and we obviously got a very good response from the sbopper ... But you cannot run your business on a weather forecast and it is my view that none of us can count on a return in consumer confidence until the Christmas trading period is over. That will be the acid test."

However, many retailers seem to feel that the pick-up in October was more thau a reaction to the first chilly weather of winter. Encouraging, if slight, signs have been noted by companies as diverse as Ratners, the jewellers, and N. Brown, the direct mail order group.

"We have seen a very modest recovery, although trading is still not better than last year," said a cautious Mr Gerald Ratner, chairman and chief executive of the retail jewellers. "At least we are having some reasonahle days now."

Retailers see an upturn - hut is it the end of recession or just small potatoes?

The strongest signs of a recovery in recent weeks seem to come from the south-east, which was hardest hit and first into recession.

Mr Colin Evans, deputy chairman of the clothing manufacturer and retailer, Austin Reed, said his company had seen an upturn in London trading. "I believe the turnround has arrived," although he added the retail sector still faced "a long, hard haul out of recession".

Littlewoods, which has reported higher profits for the past two years, was more upbeat. "We had an outstanding October," said Mr Desmond Pitcher, chief executive of the privately-owned retail and football pools group. "It was substantially better than last year." He attributed some of the improvement to having a full range of autumnwear in stock at the time of the first cold snap. "I'm sure we have turned the corner," he said.

Even the struggling media sector has noticed an improvement in recent weeks. Thames Television, which recently lost its franchise, said when it announced its interim results on Tuesday there were indications of a real growth in revenue for the fourth quarter.

Mr Brian Park, director of corporate affairs at Associated Newspapers – which owns the Daily Mail, Mail on Sunday and regional daily papers – said there had been an "encouraging blip" in display advertising. The biggest surprise came from the group's London paper, the Evening Standard, where job vacancy advertising had shown a slight increase in recent weeks. Commercial and property advertising continued to be depressed, he said.

The big qnestion now is whether the recovery in October continues. "We have seen enough in the last 18 months to learn it is a mug's game to forecast anything," said Mr Rowland Gee of Moss Broe, the menswear retailer. He refused to fall in line with the optimists, although be said he is not pessimistic. "It is still a very demanding market."

Peggy Hollinger

Philips blames price war for fall

By Ronald van de Krol in Eindhoven

PHILIPS, the Dutch electronics group, yesterday blamed a fierce price war in the global consumer electronics industry for a 10 per cent decline in operating profit in the third quarter.

Operating profit fell to Fl 469m ($246.3m), from Fl 522m a year earlier, though figures for the first nine months of the year showed an improvement to Fl 1.8bn from Fl 1.55bn. Group sales in January-September were virtually unchanged at Fl 39.5bn.

The company, which last year omitted its dividend after reporting record losses, said it would not pay an interim dividend on 1991 results and it had not decided whether to resume a pay-out for the full year.

Philips did not make a profit forecast. "Particularly in view of the extremely difficult consumer electronics market, we believe we should remain wary of making any pronouncements about the level of net income for 1991 as a whole," it said.

Third-qnarter net profit totalled Fl 188m compared with losses of nearly Fl 2.2bn last time when the company took restructuring provisions of just under Fl 2.25bn to finance lay-offs.

Analysts had expected the company to report net profits of np to Fl 160m and the better than expected performance pushed the shares higher on the Amsterdam bourse.

The company expects to have reduced its workforce to 240,000 by the end of 1991, from 275,000 at the beginning of the year, as part of efforts to slim down its operations.

Apart from the lack of provisions in the third quarter, the rise in net profit was also because of a sharp drop in financial charges to Fl 185m from Fl 495m. Philips said that consumer products, its largest division accounting for 45 per cent of worldwide sales, had confronted a contracting market and severe price erosion in the third quarter.

Mr Henk Appelo, group finance director, said selling prices in consumer electronics had fallen by an average of 4 per cent in the first nine months, and by 5 per cent in the third quarter. "There have never been price wars of this scale before."

Other reasons for the sector's difficulties are the high initial costs associated with new consumer electronic products scheduled to reach the market in the early to mid-1990s, such as high-definition television and the digital compact cassette, the successor to the audio cassette.

Whyte & Mackay loses battle for Invergordon

By Philip Rawstorne in London

INVERGORDON Distillers, the Scotch whisky prodncer, hung on to its independence by its finger-tips yesterday.

Institntional shareholders rejected a £350m ($595m) takeover bid from Whyte & Mackay, the UK drinks subsidiary of American Brands, the US tobacco group.

Whyte & Mackay's offer of 275p a share lapsed with the group holding just over 50m Invergordon shares or 39.3 per cent, for which it had paid nearly £140m. It had received acceptances for only a further 3.3 per cent.

The result of the battle, closely-fought for 12 weeks, leaves both sides in uncomfortable positions: Whyte & Mackay having spent about £140m without gaining control, and Invergordon with a large, unwelcome, and potentially troublesome shareholder. Initial responses from both parties yesterday promised co-operation.

Mr Michael Lnnn, Whyte & Mackay's chairman and chief executive, called Mr Chris Greig, Invergordon's managing director, less than an hour after the offer closed to concede defeat. Mr Lunn said later: "The final outcome was always expected to be close. We are delighted to be the largest shareholder hy far and we look forward to working with Invergordon. Our future plans and strategy will be considered in detail over the coming weeks."

Whyte & Mackay'e options, according to analysts, include the possibility of returning in a year's time with another, higher bid for control, or moving more gradually towards that objective by exercising its rights to buy 2 per cent a year in the market. The former course is considered more likely.

The gronp, having tied np £140m, is not expected to walk away. This should support Invergordon's sbare price which Whyte & Mackay had forecast would drop if its bid failed. The shares rose 1p to 266p yesterday.

Mr Greig said that the Invergordon board, whose members had rejected £19m for their own stakes in the company, had been "greatly encouraged" by the confidence demonstrated by the majority of its shareholders.

"The Whyte & Mackay presence introduces another dynamic into the business; one that we shall have to sit down and evaluate," he said. "But we believe it is neither in their interests or ours to be obstructive."

Mr Greig said that Invergordon's priority was to ensure that it delivered its forecast pre-tax profits this year of £32m. The company hsd plans for co-operation with "like-minded independent businesses" similar to the joint venture already agreed with Camus, the French cognac producer, for distributing and marketing their brands in eastern Europe.

"We shall also be examining opportunities for small, but useful, acquisitions to our core operations," he said.

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German appliance groups discuss link

By Christopher Parkes in Bonn

BOSCH-SIEMENS Hausgeräte, the German domestic appliances group, is negotiating a link-up with rival AEG, the Daimler-Benz subsidiary, Mr Herbert Worner, chief execntive, confirmed yesterday.

A deal would create a naw force in the international white goods market, giving the partners an 18 per cent share of the European market, knocking the Swedish Electrolux group from the top spot.

However, negotiations have been complicated by warnings that a merger or takeover would be unlikely to be approved by the Berlin Cartel Office, since the Siemens and AEG brands already have a 27 per cent share of the German market between them.

The search for a suitable co-operation formula and approval from authorities in Brussels and at home meant it might not be possible to stitch up a pact before 1993, Mr Worner said.

AEG, is understood to have been negotiating with several companies in the recent past. It now appears to have decided on Bosch-Siemens, itself a joint venture, as the favoured candidate, despite the cartel complexities which could have been avoided in a merger with a non-German company.

The AEG brand has long been a successful and important profit centre in the Daimler-Benz conglomerate, bnt recent difficulties with new prodnction facilities and marketing strategies have led to setbacks.

Mr Worner, speaking at a factory in Traunreut, upper Bavaria, underlined the strength of Bosch-Siemens with a forecast in contrast with other manufacturers, which have been struggling. Turnover this year would increase by about 8 per cent to DM7bn ($4.16bn). Future growth would also be above average.

Christiania loss soars to NKr5.7bn

By Karen Fossli in Oslo

CHRISTIANIA Bank, Norway's second biggest, yesterday said that net losses in the third quarter had swollen to NKr5.69bn ($856m), against a deficit of NKr683m in the corresponding period last year.

This result boosts losses for the nine months to September 30 to NKr7.33bn compared with a NKr555m loss previously.

Christiania also said it would need NKr3.8bn in core capital to meet the domestic capital adequacy requirement of 5.6 per cent by December 31.

The bank estimated that a further NKr1.7bn in core capital would be needed in 1992, but this depended on its performance until then.

Trading in Christiania shares was suspended on October 14 when the bank said high credit losses had wiped out its equity capital. Last night, it said its preference capital had also been erased.

Christiania said that the position of its shareholders and how the bank would be recapitalised was unclear, but that the goal was for the bank to become privately owned.

The government is expected to announce its final proposal for measures to prop np Christiania on November 1.

Christiania had a third-quarter operating loss, before credit losses, of NKr16m against a profit of NKr257m a year ago.

Net interest earnings were reduced to NKr858m from NKr807m. Losses on securities reached NKr142m, compared with a profit of NKr6m. Credit losses rose to NKr1.89bn from NKr822m, and to NKr3.79bn from NKr1.66bn for the nine-month period.

The bank also announced that next year it would cut costs by NKr580m.

This month, the bank was ordered by the state-operated bank insurance fund to cut costs by 15 per cent next year to qualify for a NKr2.2bn cash injection to save it from technical insolvency.

Christiania said that, to achieve its goal, it would be forced to make 800 people redundant, which is a 20 per cent staff cut, and that 17 branch offices would have to be shut.

Bank of Finland to take control of Tampella

By Enrique Tessieri in Helsinki

BANK of Finland, the country's central bank, is planning to acquire full control of Tampella, the tronbled forest and engineering group.

The bank said it would take a majority bolding by acquiring the 56 per cent stake held by Skopbank, a troubled commercial bank. In September, Bank of Finland also rescued Skopbank from collapse.

Tampella's pre-tax losses increased in the first eight months of this year to FM868m ($209m) against a deficit of FM225m in the same period last year.

Mr Esa Ojanen, a Bank of Finland official, agreed that this move by the central bank to pay Skopbank for its stake in Tampella conld be interpreted as a new injection to Skopbank.

"It is the price that we have to pay for decoupling Tampella from Skopbank," he said, "and it could also be seen as an injection of billions of Finnmarks to Skopbank."

Mr Ojanen expects that it would be a matter of a weeks before Skopbank accepts Bank of Finland's bid to acquire around 56 per cent of Tampella. He felt, however, it would take "months, possibly a half a year," before the central bank would end np acquiring the remaining 44 per cent of Tampella.

The central bank has injected FM2bn into Skopbank by acquiring 63.3 per cent of the voting rights.

DSM declines 38% to Fl117m

By Ronald van de Krol in Amsterdam

DSM, the Dutch chemicals group, yesterday reported a 38 per cent decline in third-quarter net profit and forecast that there would be no improvement in the short term.

Net profit fell to Fl117m ($61.5m) from Fl190m, dragging down results for the first nine months of the year by 33 per cent to Fl451m. Turnover decreased by 7.3 per cent to Fl2.2bn in the quarter and by 6.5 per cent to Fl7.3bn in the first three quarters as a whole.

"Given the economic situation in the markets that are relevant to DSM, short-term prospects have not improved," the company said.

The outlook is further clouded by the scheduled shutdown of one of DSM's oil cracker installations in the fourth quarter.

The third-quarter figures were below analysts' expectations, and DSM's shares closed down Fl2.50 at Fl99.40.

Operating profit was cut by 50 per cent to Fl131m in the third qnarter, reflecting poor conditions on the chemicals market and a rise in fixed costs. Part of this decline was recouped at the net profit level by a decline in taxes and by extraordinary gains of Fl15m from divestments. In the first nine months, operating results fell by 37 per cent to Fl555m.

Besides a decline in cracker products, DSM also posted lower sales in fibre feedstocks and fertilisers. Overall, sales volumes and average selling prices were both down by 5 per cent in the latest quarter. This was partly offset by a turnover increase of 1 per cent generated by acquisitions and a 2 per cent increase produced by the rise in the valne of the dollar.

DSM attributed the rise in fixed costs to the commissioning of new production plants and to acquisitions.

The company recently unveiled plans for a reorganisation involving the loss of np to 600 jobs and the transfer of up to 1,500 employees to outside contractors as the group steps up its farming out of non-core activities to other companies. DSM, which employs more than 24,000 people, cut 300 jobs in the third quarter.

Suez to focus on core activities

By William Dawkins in Paris

COMPAGNIE Financière de Suez, the French financial and industrial conglomerate, is to tidy np its development capital businesses, the latest step in its policy of focusing more tightly on its most important activities.

The group, which published a 33 per cent decline in net profits for the first half of the year, is to sell one of its development capital units and offer to buy out remaining shareholders in two others.

This will leave its development capital division with assets of FFr3.5bn ($600m) gronped around two companies, Parthéna Investissement and Eurosuez, said the group.

The reorganisation takes place in three steps. Suez will sell its 30 per cent minority stake in Compagnie de Penhoët to Rubis, an investment group.

Then it will buy a stake from the second largest shareholder of Parthéna, in which Suez is the biggest shareholder with 31 per cent, and offer to purchase the remaining Parthéna minorities. Suez finally plans to increase its existing 62 per cent majority in another investment group, Comiphos, by making an offer to the minority investors.

Suez said it would make a profit of FFr111m before tax on selling its Penhoët shares, but the overall impact of the reorganisation would be neutral, after buying out the minorities in Parthéna and Comiphos.

Suez's published profits fell to FFr1.88bn from FFr2.74bn in the first half of last year. The group pointed out that this was unrepresentative because the first half of 1990 included a very large exceptional gain from the reclassification of its shares in Groupe Victoire, the insurance company.

However, this year's interim profit is almost exactly half last year's total profits of FFr3.9bn. Suez expects profits to rise in the current half, leading to an increase for the full year.

Christian Dior glides on to bourse catwalk

By William Dawkins in Paris

Bernard Arnault: controls nearly 55 per cent of the prestigious fashion house

A TOUCH of chic will grace the Paris Stock Exchange in December, when the Christian Dior fashion house becomes the latest prestigious name to be quoted on the bourse.

Christian Dior, which has counted Liza Minelli, Tina Turner and Princess Caroline of Monaco among its rich clients, is planning a public offer for sale.

It will join such well-known names as Remy Martin and Moët Hennessy Louis Vuitton in the qnoted limeligbt, although Christian Dior will be slipping in discreetly on the casb market for smaller businesses, rather than making a main market debut.

Christian Dior will be the second fashion house on the bourse after Yves Saint Laurent, which received a rave reception from the second market in June 1989.

The stock market's newest arrival has been the centre of the French fashion establishment since 1947, when its founder of the same name introduced those wasp waists that can still be seen in some of the group's recent collections. The young Yves Saint Laurent was trained there – indeed, he could hardly have trained anywhere else.

The aim is to give Christian Dior's 250 shareholders a market for their shares, said Mr Denis Dalibot, finance director for Financière Agache. This is the main holding company of Mr Bernard Arnault, the doyen of the French luxury goods industry, whose various interests control nearly 55 per cent of Christian Dior.

The fashion house's directors were tempted to come to the market soon after Yves Saint Laurent, but the stock market decline and the Gulf war forced them to delay their plans.

The group, which made a net profit of FFr803m ($144m) on sales of FFr8.4bn last year, will privately issue new shares to institutional investors ahead of the flotation, to raise FFr1.06bn, said Mr Dalibot.

Existing shareholders are likely to sell between 6 per cent and 8 per cent of the total to the public.

German travel group moves ahead 8%

By Christopher Parkes in Bonn

WARS in the Gulf and Yugoslavia failed to put Germany's incorrigible travellers out of their stride, according to results unveiled yesterday by Touristik Union International (TUI), one of Germany's leading travel companies.

Boosted by 180,000 bookings from east Germans, compared with 20,000 in the previous year, group turnover in the 12 months to October 31 rose more than 8 per cent to DM5.3bn ($3.13bn). Total reservations increased 7.5 per cent to 3.78m, and profits rose DM5m to DM25m.

Bookings for the coming winter season are already 25 per cent higher than at tha same time last year, the company said, and sales for 1992, pushed along by a 2 per cent price increase, are expected to rise by a further 10 per cent.

Winter bookings for the Canary Islands are up 35 per cent this year, and demand for long-distance holidays in more exotic settings have risen 33 per cent.

This year's travellers avoided areas close to the war zones – the number of travellers to Israel fell 83 per cent and only 5,000 Germans went with TUI to Yugoslavia compared with 76,000 last year – greatly to the benefit of destinations closer to home.

Austria did best with a 27 per cent increase in TUI visitors, while Italy and France each enjoyed a 17 per cent rise.

East Germans were more conservative: more than half restricted their travels to the "new world" of western Germany, and 35 per cent chose the Balearic Islands.

NEWS IN BRIEF

NORSK DATA and Siemeus Nixdorf intend to set up a new information technology company, Reuter reports from Oslo.

The joint venture will have more than 350 employees. "Siemens will be the major shareholder and has an option to acquire 100 per cent. The new company plans to establish itself effective January 1 1992," Norsk Data said.

● ROUSSEL-UCLAF, French pharmaceuticals and plant-care group, has signed a preliminary agreement with Ajinomoto of Japan that could lead to a merger of the pharmaceutical marketing and distribution activities of the two groups in Japan, AP-DJ reports from Paris.

The French company, which is 54.5 per cent owned by Hoechst of Germany, said the two groups will study combining the activities of Roussel's unit Roussel Medica with those of Ajinomoto's subsidiary Morishita.

With 1.3 per cent of the Japanese market, the new group would have annual sales of FFr2.3bn.($390m)

● METALLGESELLSCHAFT, the metals and engineering group, confirmed that German shipbuilder Bremer Vulkan was a potential buyer of its majority stake in machine tool maker Schiess, Reuter reports from Frankfurt.

Metallgesellschaft is discussing the sale of the Schiess stake with several parties.

The company said: "It can also be confirmed that one of the possible partners is Bremer Vulkan AG, Bremen."

INTERNATIONAL COMPANIES AND FINANCE

Fujitsu and Hitachi to scrap computer venture

By Robert Thomson in Tokyo

FUJITSU and Hitachi, two Japanese electronics companies, agreed yesterday to dissolve a joint venture company formed 20 years ago in an attempt to counter IBM's influence in the Japanese computer market.

Facom-Hitac (FHL) was formed to pool the resources of the two leading companies in computer systems engineering, software development and computer sales, and was arranged under the guidance of the Ministry of International Trade and Industry (Miti), which was determined to develop the domestic computer industry.

"We formed the venture because we were immature. Now we have matured, and the market reality has changed," Fujitsu said. The joint venture company's 1,955 staff and assets will be shared evenly between the two electronics companies, which now have their own systems and sales networks.

The venture appears to have achieved some of the original aims. At the end of last year, Fujitsu had a share of about 25.3 per cent of the Japanese general purpose computer market, Hitachi had 22.3 per cent and IBM Japan about 24.2 per cent, according to statistics from the journal Nikkei Computer.

FHL, which reported sales of Y255bn ($1.9bn), had put together large computer packages for customers such as government agencies, colleges and corporations.

But Hitachi and Fujitsu are now supposed to be competing for customers, and the joint venture, to be formally dissolved on March 31, had become unnecessary.

"At the time [1971], we could not have competed with the resources of IBM, and it was very natural for us to get together in a joint venture," Fujitsu said.

The division of resources between the two companies had becoming increasingly awkward as Fujitsu, in particular, has been developing independent software packages and its obligations to FHL had apparently become unclear.

Washington has alleged that the Japanese computer market is not open, with foreign companies winning an unfairly low share of government contracts. The end of FHL, which competes for these contracts, makes it more difficult for Washington to argue that there is "collusion" in the market.

Japanese in $70m US purchase

By Steven Butler in Tokyo

TORAY, the Japanese synthetic fibre company, and Shimadzu, a precision equipment maker, have agreed to pay $70m to buy Therma-Wave, a small technology company based in California which produces measuring and inspection equipment for the semiconductor industry.

The acquisition repeats a familiar pattern in which large Japanese companies have sought to supplement their manufacturing and marketing muscle with the purchase of innovative US companies in an effort to gain access to proprietary technology.

Therma-Wave was founded in 1982 by Dr Allan Rosencwaig, chairman and chief executive officer. The company markets three products using patented thermal wave and optical beam profile technology to measure various features of semiconductor devices during the manufacturing process.

Therma-Wave expects sales of more than $20m this year.

Toray said yesterday that the two Japanese companies' technological, manufacturing, marketing and financial resources would allow Therma-Wave to enlarge its business more rapidly.

Toray and Shimadzu will immediately acquire 87 per cent of Therma-Wave, and buy the remaining 13 per cent in four years, giving Toray a 78 per cent stake and Shimadzu 22 per cent.

The Therma-Wave management is to remain.

Toray has recently diversified from its synthetic fibres and plastic films businesses to enter the fields of composite materials and medical and pharmaceutical products. It is trying now to build a semiconductor equipment business. Toray's total sales last year came to $6.5bn.

Shimadzu, a large manufacturer of measuring equipment with $1.4bn of sales last year, has little presence so far in the semiconductor industry.

Foster's row hots up as Elliott denies Clark claims

By Kevin Brown in Sydney

A BOARDROOM battle at Foster's Brewing, the Australian beer group, worsened yesterday when Mr John Elliott denied refusing to give assurances sought by Mr Nobby Clark, the group's independent chairman.

Mr Elliott, who resigned as chairman and chief executive last year, said he had not been asked by Mr Clark to support the present structure of the board at the group's forthcoming annual meeting.

Mr Clark said on Tuesday that he would resign unless the assurances were given by Mr Elliott's private company, International Brewing Holdings (IBH), formerly Harlin Holdings, which owns 38 per cent of Foster's.

Mr Clark, formerly chairman of National Australia Bank, said he had accepted the chairmanship of Foster's only on the basis of "a specific agreement" with Mr Elliott on the composition of the board.

Under the agreement, the board consists of: Mr Clark and Mr Peter Bartels, chief executive; three nominees of IBH, including Mr Elliott; three independent directors; two representatives of Asahi, the Japanese brewer which owns 20 per cent of Foster's.

Mr Clark's comments were intended to mobilise the support of minority shareholders for the present board structure, which effectively removes Mr Elliott from control of Foster's, although he remains non-executive deputy chairman.

In a letter to shareholders, Mr Elliott said: "At no stage was IBH asked to give undertakings beyond the 1990 [annual] meeting, and no such undertakings were given."

Mr Elliott said Mr Clark's comments were "unwarranted". He added: "We therefore take strong exception to the fact that fresh and unconditional assurances regarding our voting intentions have been sought from us."

The letter said IBH was "disappointed with several aspects of the company's performance", and indicated it wanted agreement on remedial action before deciding how to vote.

The public exchange between the two brings into the open a simmering disagreement over the pace and scope of asset sales under a reconstruction being pursued by Mr Clark and Mr Bartels.

The reconstruction is intended to dispose of Foster's non-core assets and refocus the group as a pure brewing business concentrating on its Foster's and Carlton brands in Australia, Courage and Watneys in the UK, and half of Molson in Canada. But the divestment has been delayed by recession.

IBH has also been angered by the board's decision not to pay a final dividend last year.

IBH depends on dividends from Foster's to pay interest on debts of A$2.4bn (US$1.9bn) acquired to finance the purchase of its Foster's shares, which are worth about A$1.5bn at yesterday's closing share price of A$1.74.

JAPANESE INTERIM RESULTS

Alps Electric sales rise but pre-tax falls

By Steven Butler

ALPS Electric, the electronic components maker, has suffered a 2.1 per cent decline in pre-tax profits to Y6.78bn ($52m) in the six months to the end of September.

The fall came in spite of a 2.7 per cent rise in sales to Y181,757. Improved investment returns masked a steep underlying decline in operating profits, which fell by 31.7 per cent to Y5.86bn.

Alps' margins have come under pressure partly because of sluggish exports, which declined as a percentage of sales from 31.3 per cent to 29.8 per cent. Yen-denominated prices have been hurt by the strength of the yen against the dollar, and the company said this problem would continue.

Video recorder sales have been sluggish, as have sales of computer-related equipment. But sales of mobile and cordless telephones have continued to grow. Although car stereo equipment sales for the US dropped by 7.1 per cent, overall stereo equipment sales rose by 9.9 per cent, mainly on the strength of sales of mini-component equipment.

Net earnings for the period showed an 18.6 per cent rise to Y2.99bn owing to a lower tax charge. The interim dividend was unchanged at Y7.5 a share.

Alps said pre-tax profits for the year were expected to be Y11.5bn, compared with Y13.9bn last year. Net profits were expected to fall from Y5.7bn to Y5bn.

Honshu Paper improves following rationalisation

By Emiko Terazono in Tokyo

HONSHU Paper, the Japanese paper and pulp company, reported a 62.4 per cent rise in non-consolidated sales for the first half to September to Y3.3bn ($25m), on a 3.5 per cent increase in group sales to Y208.1bn.

The company's stock is known for its volatile price movements, and has been a favourite among speculators since 1989. Honshu's stock has been the most active stock on the Tokyo Stock Exchange during the last week, and yesterday, the issue fell 4.2 per cent on rumours involving a leading speculative group.

The company said the stock movements had not affected business, and attributed restructuring and rationalisation to the rise in profits. After-tax profits, however, fell 17.7 per cent to Y1.6bn. Last year there were extraordinary profits on the sale of assets.

Honshu's paper division posted a 3.5 per cent rise in sales to Y101.9bn, while its cardboard division reported a 4.5 per cent rise to Y100.6bn.

For the year, the company expects flat unconsolidated pre-tax profits at Y5.9bn on a 0.9 per cent increase in sales to Y417bn.

Nippon Oil ahead 62% as operating income jumps

NIPPON Oil, Japan's largest oil distributor, yesterday reported a 61.8 per cent increase in pre-tax profits to Y21.3bn ($163m) for the six months to the end of September, writes Steven Butler.

The rise came from higher operating profits and sharply higher investment income.

Sales increased marginally to Y957.2bn from Y954.7bn, while the lower cost of crude oil brought the cost of raw materials down to Y858.2bn from Y868.8bn. The gain came in spite of a marginal decline in the volume of oil sales to 24.4bn kilolitres.

Part of the gain in sales margins was wiped out by an Y8.25bn rise in administrative costs and the costs of sales.

Non-operating income rose by Y10.2bn to Y52bn, with most of the increase accounted for by a Y9.4bn rise in interest income. This was partially offset by a Y6.8bn increase in non-operating expenses.

After-tax profits posted a 36.9 per cent gain to Y9.6bn following a rise in taxes to Y21.3bn from Y6.2bn. The interim dividend remained unchanged at Y3 a share.

The company forecast pre-tax profits for the year to the end of March of Y40bn against Y46.9bn last year. But after-tax profits were expected to rise by 32 per cent to Y20bn.

Cut in bad debts and loan growth lift FNB 20%

INCREASED asset growth and reduced bad debt provisions contributed to a solid profit performance from First National Bank, South Africa's third largest, in the year to September 30, writes Philip Gawith in Johannesburg.

Pre-tax profits rose by 19.9 per cent to R645.6m ($226m) and net profits were 16.5 per cent higher at R385.1m. This includes a R32.5m tax charge which the bank is contesting.

Total advances increased 25.4 per cent to R29.1bn. Mr Viv Bartlett, chief financial officer, said this was the result of aggressive marketing in the home loans sector and growth in the bank's instalment credit business. Mr Bartlett said year on year growth in mortgages granted was about 33 per cent.

A 10.7 per cent cut in the provision for bad debts, to R262.9m, runs contrary to the industry trend, with the economy in recession for more than 30 months. Mr Bartlett said the lower provisions were due to improved and stricter credit management procedures. These procedures, he said, had also given the bank confidence to increase the balance sheet – total assets rose by 21 per cent to R36.6bn – following two years of negligible growth.

Net interest income rose by 15.4 per cent to R1.6bn. Other operating income rose by 12.9 per cent to R1.1bn.

Mr Bartlett said FNB was making up for its failure this year to acquire the Allied building society by increasing market share organically.

Earnings per share rose 16.8 per cent to 529.3 cents, and the dividend was lifted by a similar margin to 175 cents.

INTERNATIONAL COMPANIES AND FINANCE

Chrysler narrows loss after cost cuts

By Martin Dickson in New York

CHRYSLER, the financially stretched US car maker, yesterday reported a third-quarter net loss of $83m, but its results were substantially better than Wall Street had been expecting and underlined the success of a $3bn cost-cutting programme.

Chrysler, the smallest of the big three US manufacturers, also alleviated concern over its liquidity by reporting that it had ended the quarter with $2.5bn in cash in its automotive operations – $100m more than at the end of the second quarter – despite heavy spending on its products for the 1992 model year and the depressed state of the US vehicle market.

The company's shares rose strongly in brisk morning trading to stand at $12⅞, up $1¼, at lunchtime.

All of the big three – General Motors, Ford and Chrysler – have now reported third-quarter losses, reflecting weak US demand and a battle for market share with Japanese rivals which has led to drastic price discounting. The outlook for the fourth quarter is little better, with many analysts expecting GM and Ford to report losses and modest profits from Chrysler.

However, Chrysler's $83m third-quarter loss, which worked through at 36 cents a share, was substantially better than analysts' forecasts, which had ranged up to $230m. It was also an improvement on the third quarter of 1990, when the group lost $214m, or 95 cents. Sales and revenues totalled $7.5bn, up from $6.5bn last year.

The 1990 third quarter was particularly depressed because Chrysler's plants produced far fewer of its most profitable vehicle, the mini-van, due to a change-over to a new model.

Mr Lee Iacocca, Chrysler's chairman, said that holding the loss to $82m in current market conditions was an outstanding performance which reflected the efficiencies gained by restructuring the group. Some two years ago – well ahead of its rivals – Chrysler instituted a programme designed to take some $3bn out of its cost structure. Some analysts say Chrysler may now be the most efficiently organised of the big three.

Mr Iacocca said the improvement in the cash position had been achieved internally – without any infusion of outside capital and without touching either a $1.75bn line of credit negotiated earlier this year or the $386m it raised this autumn from an international stock offering.

Travelers shows improvement

By Nikki Tait in New York

TRAVELERS, the Connecticut-based insurer, yesterday showed some tentative signs of improvement when it reported third-quarter profits after tax of $65m, or 60 cents a share. The company was spared any substantial property-related provision.

However, comparisons with the third quarter of 1990 are somewhat misleading. This was the period when Travelers shocked Wall Street by taking a $638m charge for future potential property-related losses, and the after-tax figure slumped to a $499.3m loss.

In the 1991 quarter, by contrast, Travelers took an after-tax charge of only $31m for further possible real-estate write-downs, with the result that net realised investment losses totalled $15m, against $564m a year ago.

Although the company did not incur any heavy additional provisions, it remained less than sanguine about the property investment situation.

Mr Edward Budd, chairman, said: "We expect pressure on real estate markets will continue and that the eventual recovery will be slow and protracted."

Travelers' real-estate reserve stood at $926m at the end of the third quarter, while total assets dipped from $57.8bn to $57.6bn.

Operating earnings – before realised investment gains and losses – were still slightly lower at $80m, compared with $85m a year earlier. Premium income nudged down from $1.8bn to $1.77bn, while net investment income slumped from $882m to $792m.

At Baltimore-based USF&G, matters were grimmer. The ailing company announced a $25m after-tax loss in the third quarter – although it also referred to the benefits from cost-cutting and signs of some stability in its property-casualty business.

The third-quarter loss compared with a $15m deficit a year ago, and came after a fall in net investment income from $235m to $219m.

Realised gains on investments increased from $11m to $14m, offset by a $4m restructuring charge.

Warner-Lambert to take $524m provision

By Karen Zagor in New York

WARNER-Lambert, the US pharmaceutical company, said it would take an after-tax charge of $524m, or $3.90 a share, against 1991 earnings to cover a large restructuring.

The New Jersey-based company said it planned to cut 2,700 jobs in the next five years and would divide its core businesses into two main management sectors.

Mr Joseph Smith will head the company's pharmaceutical business, and Mr John Walsh will head consumer products operations, including consumer health care and confectionery products. A third sector, headed by Mr Frank Lane, will manage business outside North America, Europe and Japan.

The company also plans to consolidate its manufacturing operations.

Mr Melvin Goodes, Warner-Lambert's recently appointed chairman, said the company expected to save about $700m before tax in the next five years from its actions.

The company also posted its third-quarter earnings. Net income rose 15 per cent to $144m, or $1.07 a share, on sales which were 7 per cent higher at $1.27bn.

In the 1990 third quarter, Warner-Lambert had net earnings of $125m, or 93 cents, a share, on sales of $1.19bn.

Armco slides deeper into the red with $26m deficit

By Martin Dickson

ARMCO, the large US steel manufacturer, yesterday reported a third-quarter net loss of $26.9m, up from a loss of $8.8m in the same period last year, and said it planned to divest businesses which did not fit its strategic plan or offer growth potential.

The group said the divestitures could lead to charges of up to $350m, but these would not require the immediate use of significant cash.

The third-quarter losses worked through at 33 cents a share, compared with 12 cents in the year-earlier period, and were struck on sales of $387.6m, down from $418.1m.

The red ink included an equity loss of $31.9m from its flat rolled carbon steel joint venture with Kawasaki Steel of Japan. The venture produced a loss of $5.7m last year.

The company blamed severely depressed automotive, construction and service centre markets for the increased deficit, together with production delays caused by the installation of new technology.

Mr Robert Purdum, chairman, said the group's operating profit had improved to $13.9m, up from $3.4m a year ago, but continued softness in the economy was a concern as it looked ahead to the first half of 1992.

No specific decisions had been made on divestiture, but write-downs or provisions for selling units and rationalising facilities could mean future charges against earnings, mainly for the group's stainless bar, rod and wire operations, and certain Latin American units. It was also re-evaluating the carrying value of insurance companies which it planned to sell.

Firestone to pay disputed tax claim

By John Barham in Buenos Aires

AN END to a long-running dispute between Argentina's tax department and several leading international companies now appears in sight following a proposal by Firestone, the US-based tyre company, to begin paying a disputed tax claim estimated at $180m. The claim dates back to 1985.

Subsidiaries of Firestone, BAT Industries of the UK and Perkins, the US diesel engine group, face tax claims arising from their purchase of tax credits from Koner Salgado, an Argentine company. The credits were subsequently found to have been false.

Firestone's attorneys said that the company was prepared to pay, and the government would then lift its embargo on Firestone assets. Firestone would reportedly pay $40m now and spread payment of the outstanding amount over a period of years.

The move is a shift in the company's earlier claim that it was unable to pay because the tax demand was almost seven times its net worth of $26m. The company later mortgaged its Argentine assets to US banks, leaving it with a liquidation value of between $2m and $3m.

Furthermore, Mr Manuel Balbis, Firestone president, had argued that the DGI, Argentina's tax department, suppressed for three years its discovery in 1985 of fraud at Koner Salgado, allowing companies to use the credits to offset against their tax bills until 1988. The DGI now demands full payment of the tax paid with credits, plus hefty fines and adjustments for inflation.

USX and LTV set back further

USX and LTV, two of the largest steel manufacturers in the US, announced third-quarter results which underscored the depressed price of US steel products because of the recession, writes Martin Dickson.

USX, the industry leader, announced net income of just $5m from its steel group, compared with $81m in the same period of last year, although the division's sales and operating income improved from the second quarter.

USX's consolidated results produced net income of $28m, down from $163m, on sales of $4.8bn, down from $5.1bn.

LTV, which is operating under Chapter 11 bankruptcy, announced net income of $115.5m on sales of $1.48bn, after a $129.7m income tax refund. Before the refund, it had a net loss of $14.2m, compared with a net loss of $30.4m last year on sales of $1.45bn.

Zenith shifts jobs to Mexico

ZENITH Electronics is moving some 1,200 television assembly and finishing jobs from its plant in Springfield, Missouri, to Mexico, writes Barbara Durr in Chicago.

The Missouri plant, where average annual employment has been 1,600, will continue to employ up to 500 people for plastic molding, distribution and other operations.

Zenith, the last US television maker, said that it was shifting the jobs to reduce costs and improve profitability. The company, which has reported a string of losses since 1984, said erosion of television prices had cost it $500m in lost revenues over the past five years.

● Imcera, the large health products group, has acquired Star Chemicals of California, which produces high-quality peptides – components of amino acids that act as messengers in the human body. Terms of the acquisition were not disclosed.

Banesto in Mexico equity deal

BANCO Español de Credito (Banesto), Spain's fourth largest bank, has agreed to acquire about 10 per cent of the capital of Banco del Oriente, the recently-privatised Mexican bank, for $10m, writes Damian Fraser in Mexico City. The deal would mark the first sizeable purchase of Mexican bank equity by a foreign company.

Banesto intends to be an active partner in the bank, and has plans to form an integrated financial group with its Mexican partners. The bank has already received permission from the Mexican Finance Ministry to buy 30 per cent of a leasing company.

Banco del Oriente, a small bank based in Puebla, Mexico, was sold in August 9 for $73m to an investor group headed by local businessmen Marcelo and Ricardo Margain Berlenga.

Imasco division posts 8% gain

CT FINANCIAL Services, a subsidiary of Imasco, the tobacco, fast-food and retailing group controlled by BAT Industries, posted an 8 per cent gain in third-quarter profit, surprising most analysts, writes Robert Gibbens in Montreal.

CT Financial Services owns almost 100 per cent of Canada Trustco, one of the country's two biggest trust companies.

The holding company had a profit of C$60.2m (US$53.2m), or 49 cents a share, up from C$55.8m, or 43 cents, a year earlier.

INTERNATIONAL CAPITAL MARKETS

Treasuries lose momentum after mixed Fed signal

By Karen Zagor in New York and Sara Webb in London

THE rally in US Treasuries faltered yesterday morning as optimism about interest rates lost momentum after the Federal Reserve gave a mixed indication about monetary policy.

The Fed refrained from operating in the open market during its usual intervention period yesterday morning, sending an ambiguous sign to a market which had expected matched sales.

GOVERNMENT BONDS

With Fed Funds changing hands at 5 5/16 per cent, most analysts had expected a small draining action by the Fed to signal that the perceived target for the rate had not eased from 5¼ per cent. Others noted it can be difficult to interpret Fed action on a settlement day. Some said a previous round of matched sales addressed the drain need.

The Treasury's benchmark 30-year bond traded a narrowly mixed range, easing 1/8 to 102 5/32 with a yield of 7.89 per cent at mid-session. The three-year note was 1/32 higher to yield 6.04 per cent.

The market shrugged off a mixed bag of economic data during the morning. New home sales in September fell 12.9 per cent to 446,000, below the expected 530,000. Personal spending, however, rose 0.9 per cent in September and personal income rose 0.5 per cent.

■ UK government bond prices opened strongly on the combination of Tuesday's rally in the US Treasury bond market, a stronger pound and a political opinion poll, which put the ruling Conservative party only 2 percentage points behind the Labour party, whereas several recent polls have given Labour a lead of between 6 and 7 percentage points.

But, despite the strong opening, the market drifted off later in the day, and the benchmark 11¾ per cent gilt due 2003/07, which opened at 113¾, traded at around 113 21/32 by late afternoon.

The Bank of England unofficially supplied stock to market-makers yesterday, although dealers said the amount sold was probably lower than the estimated £100m supplied on Tuesday. The Bank has not issued any new gilts for over a month.

The market is hoping changes in the funding rules will be announced in today's annual speech to business and financial leaders at the Mansion House by the Chancellor of the Exchequer, allowing Ecu bonds to count as funding, thereby reducing the issuing burden on the gilt market.

■ JAPANESE government bonds fell yesterday on profit-taking and hedge-selling in the wake of Tuesday's auction of ten-year government bonds.

Traders reported heavy selling in the futures market. The December futures contract dropped from its opening level of 100.25 to a low of 99.71 before closing at 99.75 in Tokyo trading hours.

In the cash market, the yield on the No 129 benchmark bond opened at 5.83 per cent and moved to 5.95 per cent before closing at 5.93 per cent.

The fall in bond prices occurred despite a further easing in short-term interest rates. The overnight unsecured call money rate fell from Tuesday's level of 6¾ per cent to 6 5/8 per cent yesterday. Traders said some bond holders decided to take profits, believing bond prices have fully discounted the widely expected cut in the Official Discount Rate.

■ GERMAN government bonds drifted lower during the day, as worries about investment income tax and the recent money supply figures continued to plague the market.

The Liffe bund futures contract, which opened at 85.80, slipped to 85.64 by late afternoon. Traders reported some switching from medium-dated to longer maturity bunds.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	114.5651	+2.259	9.70	10.04	10.31
BELGIUM		9 000	08/01	99.5500	+0.120	9.06	9 08	9.12
CANADA *		9.750	12/01	106.6500	+0.450	8 74	9.08	9 13
DENMARK		9.000	11/00	100 5750	+0.100	8.90	8.94	9.08
FRANCE	BTAN	8.500	11/96	98.3194	-0.018	8.92	8.94	9.02
	OAT	9 500	01/01	104 5600	-0.070	8.75	8.70	8.83
GERMANY		8 25	09/01	99 4500	-0 040	8.33	8.22	8.28
ITALY		12.000	06/01	97 6600	+0.200	2.42	12.40	12.53
JAPAN	No 119	4.800	06/99	92.5475	-0.287	6.24	6.17	6.31
	No 129	6.400	03/00	102.7742	-0.351	5.91	5 85	5.88
NETHERLANDS		8.500	03/01	98.2300	+0.010	8.78	8.78	8.78
SPAIN		11.000	97/96	100.9000	-0.100	1.69	11.56	11.41
UK GILTS		10.000	11/96	101-06	+3/32	9.70	9.84	9 66
		10.000	02/01	101-31	+6/32	9.67	9.84	9.60
		9.000	10/08	96-02	+2/32	0 47	9.60	9.38
US TREASURY *		7.875	08/01	102-22	+2/32	7 48	7.66	7.48
		8.125	08/21	102-20	+2/32	7.89	8.06	7.83

London closing. *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sources

McDonald's raises funds in Hungary

McDONALD'S, the US fast-food chain, has become the first foreign or privately-owned company to raise money on the Budapest bond market since the second world war, writes Nicholas Denton in Budapest.

McDonald's Restaurant System of Hungary, the US group's local offshoot, this week issued bonds to a value of Ft400m which have been fully taken up by Hungarian institutions. Foreign investors can buy on the secondary market. The notes are for a maturity of four years and carry an interest rate of 29 per cent, falling to 24.75 per cent over the course of their life. McDonald's guaranteed the offering.

The launch points a way forward for western companies based in Hungary reluctant either to face the exchange-rate risk associated with foreign debt or bear an interest rate of 35 per cent and above on local bank borrowings.

The increasing investment in bonds contrasts with the bleak performance of the Hungarian equity market. The Budapest Stock Exchange index is languishing at 800, about a third down since April.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6.10 pm on October 30

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	102¾	103¼	-¼	6.56
ALBERTA PROVINCE 9 3/8 93	600	107¾	107⅛	+⅛	7.18
AUSTRIA 8 1/2 00	400	102¾	103¼	+¼	8.00
BANK OF TOKYO 8 3/8 96	100	102⅛	103	+⅛	7.67
BELGIUM 9 5/8 98	250	108¼	109¼		7.88
BFCE 7 3/4 97	150	101⅛	101⅞	+⅛	7.41
BNP 8 5/8 94	300	104⅛	105		6.71
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.58
KREDIETBANK 7 93 LFr	1000	95¾	96¾	+⅛	9.61
WORLD BANK 8 96 LFr	1000	96⅛	97½	-⅛	9.97
ABN AMRO HOLDING 9 1/4 01 Fl	750	102	102⅝	-⅛	8.91
UNILEVER 9 00 Fl	500	103	103½		8.48
BCE INC 9 5/8 93 C$	300	101⅛	102	+⅛	8.44
BELL CANADA 10 5/8 99 C$	150	105¾	105⅛		9.59
[illegible]					

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					
JAPAN DEV BK 5 1/2 94	100	94½	95	-½	8.22
KOBE 6 3/8 01	240	95	96		7.10
NEW ZEALAND 4 7/8 99	200	84½	84¾		7.74
QUEBEC HYDRO 5 08	100	75½	77	-½	7.67
WORLD BANK 5 03	150	81¾	82¾		7.37
WORLD BANK 7 01	600	100¼	100¾		6.90
AUSTRIA 4 3/4 94	30000	97¼	98		5.85
CREDIT FONCIER 5 1/4 94	20000	97¾	98¼		6.05
DENMARK 7 93	40000	103⅛	103½		5.90
EIB 4 5/8 94	40000	97¾	97⅝		5.76
FINLAND 6 3/4 96	50000	102¾	102⅞		6.04
GENERAL ELECTRIC 5 3/4 93	35000	99¼	99¾		6.29
INTER AMER DEV 7 1/4 00	30000	108¾	108¼	-⅛	5.96
KANSAI ELEC PWR 4 5/8 94	60000	96⅜	96⅞		6.11
NIPPON TEL & TEL 5 7/8 96	50000	99½	99⅞	-¼	5.99
NORWAY 5 1/8 95	50000	97⅜	97⅞		5.90
SNCF 6 3/4 00	30000	105⅛	105⅛	-⅛	5 91
SWEDEN 5 5/8 95	20000	98¾	99⅛		5.99
WORLD BANK 6 3/4 00	50000	105½	105¾	-⅛	5 89

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	124¾	126¼	
CHUBB CAPITAL 6 98	250	86	100⅛	101	+29.16
DAI-ICHI KANGYO 3 7/8 04	300	3251.8	105	105⅛	+18.91
EASTMAN KODAK 6 3/8 01	300	50.67	99	100	+12.73
GOLD KALGOORLIE 7 1/2 00	65	1.0554	76⅛	77¼	+50.37
HANSON 9 1/2 06 £	500	2.5875	99⅛	100⅛	+22.15
HAWLEY 6 02 PREF	400	19.1	83¾	87⅛	
HILLSDOWN 4 1/2 02 £	150	3.97	113¾	114⅞	
LAND SECS 6 3/4 02 £	84	6.72	85¼	86¼	+13.89
LASMO 7 3/4 05 £	90	5.64	79⅝	80¼	+39 90
MITSUI BANK 2 5/8 03	200	2337½	108⅛	102¼	+15.59
MOUNT ISA FIN 6 1/2 97	100	2.283	88⅛	89¼	+11.60
OGDEN 6 02	85	39.077	74¼	75¾	+49.80
SMITH & NEPHEW 4 02 £	90	1.775	117⅛	118⅝	+58.17
SUMITOMO BANK 3 1/8 04	300	3606.9	70¾	79⅝	+16.45
TEXAS INSTRUMENTS 2 3/4 02	300	82¾	86½	87½	
THORN EMI 5 3/4 04 £	103	7.45	117⅝	118⅝	+8.82

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Reforms imposed on HK stock exchange

By Angus Foster in Hong Kong

HONG Kong's Securities and Futures Commission, the overall market watchdog, is imposing a statutory reform package on the stock exchange after a last-ditch attempt by the exchange to agree a voluntary set of reforms was invalidated.

However, talks are continuing between the two bodies in an effort to reach compromise and calm mounting public argument.

The imposed reform package is designed to bring the stock exchange in line with international standards and calls for greater representation on the exchange's ruling council for large, international stockbrokers, as well as the abolition of certain practices which, in the past, have been seen as open to abuse.

The exchange has said it will challenge the imposed package through the courts and also appeal to the Governor, Sir David Wilson, to stop the SFC's actions.

The SFC decided to act despite a unanimous vote yesterday by exchange members to put in place a similar voluntary package, the third such attempt. The meeting to approve the voluntary package was called giving sufficient notice to members, according to the exchange's memorandum of understanding, but insufficient notice according to Hong Kong's companies ordinance.

The High Court yesterday ruled the companies ordinance should prevail.

The exchange said many meetings since 1981 have been called without giving sufficient notice under the companies ordinance, technically invalidating several decisions. Mr Francis Yuen, who resigns from the exchange tomorrow to return to the private sector, said his appointment would be invalid according to the court's ruling.

BNL reveals commitments to Iraq

BANCA Nazionale del Lavoro (BNL), the Italian state-owned bank, yesterday released the clearest information to date on its exposure to Iraq and the two failed Italian companies which have severely overshadowed BNL's recent activities, writes Haig Simonian.

According to details from the bank's interim report, submitted yesterday to Consob, Italy's stock market and companies watchdog, its overall commitments to Iraq stand at $2.1bn. The position stems from the unauthorised letters of credit issued by BNL's Atlanta branch and discovered in September 1989.

However, BNL says its effective Iraqi exposure, in terms of money actually disbursed, is only $1.5bn. That comprises $1.34bn drawn down by the central bank of Iraq and $161.7m drawn down by two Iraqi commercial banks. A further $401.4m in Iraqi commitments is covered by guarantees from the US Commodity Credit Corporation.

Meanwhile, BNL's position towards Federconsorzi, the Italian farm services group which was declared bankrupt earlier this year, is around L630bn ($498.4m). The exposure is broken down into L178bn towards Federconsorzi and L259bn towards Agrifactoring, the factoring company in which the BNL group has a 50 per cent stake and which worked closely with Federconsorzi.

A further L190bn in credits are outstanding to Federconsorzi's regional operations, according to the bank.

Taiwan plans to re-open forward forex market

TAIWAN is to re-open forward foreign exchange trading on November 1, the central bank announced yesterday, writes Peter Wickenden.

The forward forex market was first opened in October 1987 but was closed again by the central bank after only two days when intense speculation set the New Taiwan dollar fluctuating wildly against the US dollar in the spot market.

This time, the bank hopes to dampen speculation by allowing only importers and exporters to participate in the forward market, and opening it to other players gradually.

CORRECTION

Creditanstalt

Creditanstalt, the Austrian bank, has not withdrawn from mergers and acquisition work in London, as wrongly stated on page four of the survey on Austria on October 9.

BUSINESS LAW

US prosecutors take a tougher line

By Joseph Flom

There is a growing trend in the United States towards treating lapses in business conduct as criminal matters. Conduct that a few years ago would have been addressed solely through civil and administrative processes is now frequently the subject of criminal prosecution.

Liability is also being extended to persons not directly responsible for the conduct. Lawmakers, regulators and judges are creating new enforcement tools and providing for stiffer penalties. Moreover, in many cases the same conduct may be reviewed by several jurisdictions and agencies, any of which could initiate criminal proceedings.

Historically, corporations have been subject to "imputed" criminal liability based on the actions of their employees. Thus, whenever an employee commits a criminal act in the course of his employment, the company, as well as the employee, can be held criminally liable, even though the employee acted contrary to explicit instructions.

A company can also be held criminally accountable on the basis of the collective knowledge of several employees, even though no single employee had sufficient knowledge to be personally culpable. And a parent company can be held liable for the conduct of a subsidiary acting as its agent.

Recently, the scope of "imputed" criminal liability has been expanded to include individuals who have had no actual knowledge of the offence. For example, the Clean Water Act authorises jail sentences for "responsible corporate officers" merely because they had reason to know of the violation of the statute.

Similarly, under the Food, Drug and Cosmetic Act, the US Supreme Court upheld a conviction of a corporate officer based merely on his status as a "reasonable corporate officer", without regard to whether he knew of the offending conduct.

Prosecutors are actually seeking to expand this doctrine into areas where the statutory mandate is murkier. These efforts have met with mixed results, but in the criminal realm even the threat of prosecution can be devastating.

The areas with a high potential for criminal action include matters relating to the environment (where indictments in 1990 increased 33 per cent over the previous year), health and safety at work, consumer product safety and labelling, securities laws, anti-trust and banking regulations.

In recent years the level of fines imposed on companies for criminal violations has increased significantly, as has the imposition of harsh administrative remedies, including suspension of the ability to receive government contracts.

In 1989, a company executive was jailed for wilful violation of Occupational Health and Safety Act regulations.

Moves towards broader criminal enforcement are also proceeding apace at the state level. Prosecutors with enlarged staffs are pursuing companies more vigorously, especially in the environment and health and safety areas. State legislators are enacting broad statutes. For example, California recently provided that it is a crime to fail to disclose to the government and affected employees a known "serious concealed danger".

In the quest for perfection in business conduct the US seems to have lost sight of the social costs of the rigidity that such a quest implies. There is too little debate about where the balance should be struck.

This is not to say that there are not abuses which should be dealt with severely. But whether current views defining criminal abuses have gone too far should be debated.

Companies doing business in the US would be well advised to understand this phenomenon and to take steps both to reduce the risk of inadvertently committing offences and to establish procedures which would minimise penalties should misconduct occur.

A variety of compliance programmes have been developed in the US, many specific to one industry, which seek to prevent violations. The programmes involve many elements, including educational, monitoring and disciplinary components. Although no programme can totally eliminate the risk of an aberrant employee or inadvertent violation, these programmes are useful in making such violations less likely or in detecting them at an early stage.

They are also useful in enabling the company faced with a violation to argue, quite often successfully, that it had done all that could be done to prevent the violation and accordingly should not be punished criminally.

The need for such programmes is manifest in recent developments. On July 1, the US Justice Department issued guidelines setting out the factors the government would consider in deciding whether to prosecute corporations and their employees for environmental violations.

These guidelines offer examples of how detection, disclosure and correction of environmental violations can reduce or eliminate criminal exposure.

Also, it is expected that new organisational sentencing guidelines will become effective tomorrow for most other federal criminal offences. The organisational guidelines will substantially increase penalties for corporate criminal violations, require restitution and authorise courts to exercise continuing control over the operations of convicted corporations.

Under these guidelines, however, the existence of an effective compliance programme to detect and prevent violations of law, together with other factors such as the company's self-reporting, co-operation and acceptance of responsibility, can significantly mitigate potential penalties.

The guidelines specify criteria for such a compliance programme. These include written compliance standards; designation of a senior individual responsible for implementation of the compliance programme; employee training programmes; monitoring, auditing and reporting procedures; enforcement through appropriate disciplinary measures; and measures to correct and prevent the recurrence of any offence.

The effect which such a programme can have is dramatically illustrated by the fact that under the guidelines the same offence can result in fines of as little as $3.6m or as much as $290m based on the aggravating and mitigating factors.

Moreover, the failure to have such a programme in place could affect the decision of prosecutors as to whether to seek a criminal reference.

With this in mind, many large companies have made a concerted effort to evaluate, revise and strengthen their current compliance programmes and to adopt programmes where none exists.

A properly designed and implemented corporate compliance programme can reduce the likelihood of employees engaging in misconduct.

For foreign companies doing business in the US, the special value of comprehensive compliance programmes is their potential for flushing out conduct that, while not necessarily unlawful in their own countries, could have significant implications for both parent and subsidiary in the US.

Companies that are the subject of criminal investigations or indictments or that are confronted with other big crises should have, in addition to compliance programmes, a properly structured plan for handling all aspects of such matters, including communications with employees, customers, the press, regulators and prosecutors.

A well-conceived crisis management plan allows a company to act promptly and effectively when disaster strikes. An inability to react immediately in the face of a crisis can colour public perception of the event and influence regulators and prosecutors.

In addition, dealing early and effectively with a crisis, whether it results from possible criminal conduct, plant fires, consumer boycotts, toxic spills or otherwise, can have a great impact on all aspects of the company's business, including its relationships with customers, employees and distributors.

It is to be hoped that at some point a balance will be struck between those who would use the criminal process to tighten the noose around US business and those who understand the need for flexibility in running a company's operations.

Regrettably, that balance is not yet in sight. Until it is, the prudent course for companies that do business in the US is to review carefully their existing procedures for detecting and preventing violations of US law and for responding to company crises.

The author is senior partner of the New York-based international law firm Skadden Arps Slate Meagher & Flom.

INTERNATIONAL CAPITAL MARKETS

Citicorp $1.25bn deal heads range of new issues

By Tracy Corrigan

A RALLY in US Treasuries, which followed through into other markets, fuelled activity in the Eurobond market, where a broad range of new issues emerged yesterday.

Citibank launched a $1.25bn global offering of two-year and seven-year credit card-backed bonds, the first such deal since the same borrower tapped the market in August.

Overall, distribution is likely to be skewed towards the US market. Dealers reported strong demand in Europe and south-east Asia for the two-year bonds, which are attractive to money market funds as well as fixed-interest investors. But the seven-year bonds met much firmer demand in the US – where investors are more bullish on interest rates – than in Europe, where investors are accustomed to buying relatively short-dated asset-backed securities.

The deal, to be priced later today, is Citibank's last transaction for this year, since it has now virtually completed its $6bn borrowing programme.

Meanwhile, National Home Loans completed another issue of mortgage-backed securities, with a £75m deal for Secured Loan Finance No. 1 via Goldman Sachs. The floating rate notes, which are expected to have a 3.6 year average life, pay a margin of 70 basis points above the three-month London interbank offered rate.

The deal was the first in the UK market to be backed by second mortgages. The deal was considered attractively priced, which dealers said satisfied investors who may have been concerned about the new asset class, or about NHL's name. NHL was rescued by a £200m cash lifeboat in July, when it faced withdrawals of deposits following the closure of BCCI. An official at NHL said the company reckoned it paid a 2 or 3 basis point premium, on account of its name.

Elsewhere, the City of Stockholm brought the first Ecu deal for several weeks, an Ecu175m five-year deal via SBC. The sector had been effectively closed for several weeks, when the market fell on nervousness about the future of the currency. The deal is unswapped. Swedish borrowers are becoming increasingly keen to tap the Ecu sector, where rates are lower than in their domestic market, since their currency was linked to the Ecu earlier this year. In the D-Mark sector, Bertelsmann, the German publishing giant, made its debut in the international capital markets banks involved. The DM250m issue fared slightly better than other recent issues, due to the appeal of the name to foreign, as well as domestic, investors. The deal was bid on full fees of 2¼ points.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
ECUs						
City of Stockholm(a)†	175	9¼	101.72	1996	1⅞/1¼	SBC
STERLING						
Compagnie Bancaire(a)†	75	10½	101.43	1996	1⅞	BZW
Secured Loan Fin.No.1(b)‡†	75	(b)	100	2018	⅞/⅝	Goldman Sachs
FRENCH FRANCS						
Compagnie Bancaire(c)†	1.5bn	9⅛	100.425	1995	(c)	CCF
AUSTRALIAN DOLLARS						
GMAC Australia Finance(a)†	75	10	101.95	1995	1¾/1¼	Westpac Bank Corp
PESETAS						
Electricite de France(d)†	10bn	11.15	101½	1995	1½/1⅛	Banco Bilbao Vizcaya
D-MARKS						
CB Finance Co.BV(a)†	500	8¾	101.40	1995	1¾/1⅛	Commerzbank
Bertelsmann Int.Fin(a)†	250	8½	101½	1998	2¼/1½	Deutsche Bank
SWISS FRANCS						
Deutsche Bk Finance(a)★★†	100	7½	101¾	1996	-	Deutsche Bk (Suisse)
DANISH KRONER						
Finance for Danish Ind.(a)†	250	9⅛	101⅝	1998	1⅞/1¼	Kredietbank Int.
YEN						
Teijin Ltd(a)†	20bn	6.4	101⅝	2001	2/1¼	Daiwa Europe

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Mortgage-backed issue. Coupon pays 3-month Libor + 0.7% until 10/98, then 3-month Libor + 2½% thereafter. Callable on or after 1/94. Average life - 3.6 years. c) Fungible with existing FFr1.45bn deal. Management & underwriting fee - 1⅝%. d) Matador issue. Non-callable.

IFC launches first medium-term note programme

THE International Finance Corporation (IFC), the arm of the World Bank which promotes private sector development, has launched its first medium-term note programme, as part of a change in its financing strategy, writes Tracy Corrigan. The $500m MTN programme is in two tranches, $250m in the US market and $250m in the Euromarket.

The IFC was recently granted a capital increase of $1bn, to be paid in over the next five years, which will increase its capital base to $2.3bn. As its business activity is boosted, the agency's borrowing requirement is expected to double over that time, according to an IFC official. The programme for this financial year, which runs until the end of June 1992, is $800m.

The agency plans to try to spread its borrowing, while maintaining its aggressive funding targets.

The US programme is arranged by Morgan Stanley and the Euro-MTN programme is led by Goldman Sachs.

S African borrowers plan public bond issues

By Simon London

SOUTH Africa is hoping to expand its activities in the international capital markets next year, with five new borrowers planning to launch public bond issues.

The five borrowers queueing to tap the international bond market are: Transnet, the transportation group; Eskom, the electricity supply company; the Post Office; the Industrial Development Corporation and the Development Bank of Southern Africa. However, new issues by any of these borrowers will carry a government guarantee.

In all, South African borrowers have six D-Mark and two Swiss franc bond issues maturing in 1992, totalling $500m equivalent. Mr Gerhard Croeser, director-general of the Finance Ministry, said all maturing debt would be re-financed with new bond issues.

In the years since 1985, when the debt standstill was imposed, the government has refinanced only about 50 per cent of maturing international debt issues and has raised no new international funding.

In September, the South African government launched a DM400m five-year bond issue, lead managed by Deutsche Bank – the first public bond issue by a South African borrower since 1985. The next international bond issue in the name of the government could be in Ecu at the start of next year, said Mr Croeser.

This month the Independent Development Trust, a non-political health, education and housing trust, is planning to launch a $200m Eurobond, lead managed by J.P. Morgan.

The breadth of demand for South Africa bonds has yet to be tested. Up to 80 per cent of the government's D-Mark issue was placed within Germany, mainly with retail investors. Successful bond issues in other currencies will require the support of a broader base of international investors.

The African National Congress also opposes new international borrowings by the present government and an ANC-led administration may not honour new loans.

Brazilian debt back on the defensive

Richard Waters reports on the collapse of the secondary market

TWO months ago, Brazil's external debt was fetching 40 cents in the dollar on the secondary market. By Tuesday of this week, the price had virtually halved, to around 21 cents. The 1991 bull market in Latin American sovereign debt had come to a sudden end.

"It was like the stock market crash of 1987," said Mr Rick Haller, head of LDC debt trading at Morgan Grenfell in London. "It looked terrific one day. The next, people turned around and thought they were the only ones there. They all ran for the door together."

Brazil's fall has brought down the secondary market prices of some other countries' debt in its wake. Argentina's debt, for instance, was trading at 40 cents in the dollar as recently as a month ago, but by Tuesday had fallen to 28 cents. According to traders, the debt of countries as diverse as Morocco, Poland and the Philippines has also been hit. Only those which have already signed Brady-style debt reduction agreements – principally Mexico and Venezuela – have withstood the fall.

Two factors have helped to puncture the confidence that had driven the secondary market price of Brazil's $50bn of external debt up by nearly two-thirds since the start of the year, according to market participants.

First, the gathering economic crisis in Brazil erupted dramatically this week as fears of hyper-inflation and growing antagonism between President Fernando Collor and Brazilian business helped to drive the cruzeiro down on the parallel (or black) market. This contributed to wiping 5 cents in the dollar off debt prices on Tuesday alone.

Second, lack of foreign investor interest in last week's privatisation of Usiminas, the country's largest steel mill, is said to have dented confidence in foreign investment in the country's planned privatisation programme.

The fall had begun well before. Since the middle of September, traders say, Morgan Guaranty had been a large and conspicuous seller of Brazilian debt. The price has never recovered the peak it reached after Brazil put forward proposals to its foreign bank creditors at the end of August for restructuring its medium and long-term debt.

The nature of the market *has contributed to the volatility.* It is dominated by traders, rather than longer-term investors. The US pension funds and insurance companies tempted into Latin American debt this year have largely bought the Brady bonds of Mexico or Venezuela, with their high yields and US Treasury bond backing.

Most traders had adopted the same approach to Brazil. "Everybody was playing the long side throughout the year," says Mr Stephen Dizard, a managing director with Salomon in New York. "That was a very successful strategy." A belief that Brazil would reach

Fernando Collor: gathering economic crisis in Brazil

agreement with its bank creditors and the International Monetary Fund, leading to its own Brady-style deal, drove sentiment. But, when the wind changed, the result was a concerted move by traders to reduce their long positions.

"Six weeks ago, you could sell $100m worth without moving the market much," one trader said yesterday. "Today, you probably couldn't sell it at all."

Whether debt prices rebound from their current levels depends on progress over the coming month towards a Brazilian Brady plan. By yesterday, they had gained a cent or two from the lows of Tuesday, as traders sat back to reassess the prospects.

Optimists point to the fact that Brazil is negotiating an agreement with the IMF and is due to meet its bank creditors shortly. The latest economic crisis, rather than disrupt this process, could actually help matters if it forces the country's Congress to drop its opposition to the economic and political reforms.

The prices of Mexican and Venezuelan debt leapt by around 50 per cent after those countries had reached agreement on debt reduction. Holders of Brazilian debt, lying low after the recent downturn, will be hoping for a similar outturn.

US banks in merger deal

By Karen Zagor in New York

NATIONAL City Corporation and Merchants National Corporation, two mid-western US banks, are merging through a stock-swap agreement to create a new institution with assets of nearly $30bn, more than $2.2bn in equity and about $3bn in market capitalisation.

Under the terms of the agreement, each share of the Indianapolis-based Merchants National will be exchanged for 1.12 shares of Cleveland-based National City's common stock. The deal is valued at $641m, using a share value of $43.54 per Merchants National share. National City will have the option of buying 19.9 per cent of Merchant National's outstanding shares as part of the merger agreement.

About 600 jobs will be eliminated after the merger from a total workforce of 3,542. The banks will take restructuring charges of about $50m to cover expenses.

● Hibernia, the troubled New Orleans-based bank, yesterday posted a third-quarter net loss of $25.1m, or 89 cents a share, against net income of $5m, or 18 cents, a year earlier. During the 1991 quarter, Hibernia had a loan loss provision of $32.2m, largely related to commercial real estate and highly leveraged transaction loans.

Hibernia also said it had reached an agreement with a group of lenders led by Chase Manhattan to amend its loan agreement to eliminate a recapitalisation deadline of October 31.

For the first nine months, Hibernia had a net loss of $129.9m against a deficit of $2.8m.

Delta Air Lines downgraded

By Nikki Tait in New York

JUST two days before it is due to take over Pan Am's Transatlantic routes, Delta Air Lines was downgraded by Standard & Poor's, one of the large US credit rating agencies.

S&P said that the acquisition of the European routes, Pan Am's East Coast Shuttle operation (already under Delta's management), and 45 per cent of the ongoing Pan Am operation, "increases total liabilities at a time when earnings are under pressure due to a weak economic recovery".

It suggested that the cost of the complex transaction "could range from $585m to almost $900m, depending on whether Pan Am survives and other factors."

However, it also acknowledged that Delta could probably operate the Pan Am assets much more profitably than their former owner, thanks to a strong domestic network and service reputation.

The rating reduction affected $2.2bn of senior debt, which switched from A- to BBB+, and $950m of equipment trust certificates, now A- rather than A.

● Bombardier's Canadair aerospace division has adapted its 50-passenger regional jet into a super long-distance business aircraft able to carry eight to 10 passengers 5,850 nautical miles.

The "Global Express" will have a new high-tech wing and twin turbines rated at 14,000 to 16,000lbs thrust. It is designed for 11 to 12-hour trips.

Canadair controls Short Brothers of Belfast, which manufacturers the centre fuselage section for the aircraft.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Oct 30 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Oct 29 Index No.	Mon Oct 28 Index No.	Fri Oct 25 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (181)	819.79	+0.7	9.35	5.92	13.37	31.79	813.89	813.15	802.95	689.71
2	Building Materials (23)	1004.38	+1.4	7.37	6.20	17.87	41.35	990.96	980.35	966.32	933.07
3	Contracting, Construction (30)	1069.27	+0.7	8.45	6.87	16.29	49.81	1061.93	1060.81	1051.79	1130.87
4	Electricals (11)	2507.15	+0.9	8.72	5.27	14.53	84.23	2485.95	2486.19	2461.85	1795.40
5	Electronics (25)	1724.83	+1.0	11.01	5.53	11.48	51.73	1707.45	1706.53	1683.13	1555.86
6	Engineering-Aerospace (8)	355.25	+0.6	15.77	7.31	7.65	18.52	353.00	356.86	354.02	409.57
7	Engineering-General (43)	489.85	+0.4	9.99	5.18	12.32	16.58	487.97	486.63	483.10	352.56
8	Metals and Metal Forming (9)	432.13	-0.5	15.15	8.20	8.01	18.43	434.31	434.89	432.08	399.31
9	Motors (12)	341.70	----	6.95	7.05	19.69	17.56	341.71	340.96	339.48	269.63
10	Other Industrial Materials (20)	1592.66	+0.7	7.93	5.12	14.99	57.59	1581.22	1586.38	1556.73	1115.47
21	CONSUMER GROUP (190)	1581.20	+1.3	7.23	3.53	17.12	34.04	1561.53	1562.32	1537.66	1188.76
22	Brewers and Distillers (22)	1941.16	+0.6	7.94	3.47	15.33	38.33	1929.35	1945.23	1922.96	1480.29
25	Food Manufacturing (19)	1204.10	+0.4	9.42	4.15	13.14	29.98	1199.23	1206.68	1190.04	1007.63
26	Food Retailing (17)	2379.43	+1.6	9.24	3.42	14.14	52.15	2343.03	2400.57	2379.28	2252.66
27	Health and Household (23)	4023.26	+1.6	5.02	2.35	22.86	61.87	3961.29	3875.90	3765.58	2419.09
29	Hotels and Leisure (24)	1342.69	+0.4	7.59	5.24	16.28	45.61	1337.49	1337.65	1320.73	1198.96
30	Media (26)	1524.45	+1.8	6.93	4.67	18.87	44.40	1497.58	1505.90	1486.70	0.00
31	Packaging, Paper & Printing (17)	760.42	+0.2	7.39	4.33	16.43	23.54	759.07	756.14	753.06	479.65
34	Stores (33)	1032.57	+2.4	7.29	3.61	17.95	20.52	1007.96	1017.67	1006.60	804.10
35	Textiles (9)	651.87	+1.0	7.09	4.77	17.89	15.49	645.16	644.73	636.72	420.30
40	OTHER GROUPS (110)	1266.05	+0.8	9.49	5.12	13.25	36.02	1255.82	1256.72	1238.85	951.28
41	Business Services (12)	1412.68	+0.4	7.55	4.62	16.46	39.29	1407.60	1400.18	1376.46	0.00
42	Chemicals (21)	1448.25	+1.5	6.96	5.00	17.73	48.39	1427.53	1439.08	1416.31	997.27
43	Conglomerates (11)	1486.03	+1.0	9.72	7.05	12.47	38.87	1471.05	1478.85	1452.55	1247.38
44	Transport (13)	2337.22	+0.4	7.32	4.85	16.92	68.02	2328.92	2323.98	2287.65	1842.77
45	Electricity (16)	1218.85	+1.2	14.41	5.34	9.05	27.53	1204.53	1201.97	1189.00	0.00
46	Telephone Networks (4)	1560.49	+0.7	9.60	3.89	13.63	28.34	1550.07	1543.07	1513.01	1056.05
47	Water (10)	2377.74	+1.6	17.18	6.47	6.44	118.37	2339.90	2304.56	2294.36	1975.11
48	Miscellaneous (23)	1792.76	-0.1	5.46	5.50	25.38	70.17	1793.94	1820.17	1814.52	1508.51
49	INDUSTRIAL GROUP (481)	1292.45	+1.0	8.35	4.48	14.94	34.81	1279.44	1279.84	1261.05	993.26
51	Oil & Gas (19)	2404.81	-0.4	10.88	5.78	12.15	93.60	2413.82	2419.27	2393.26	2275.12
59	500 SHARE INDEX (500)	1388.38	+0.8	8.65	4.64	14.54	39.49	1376.74	1377.49	1357.94	1098.25
61	FINANCIAL GROUP (91)	778.88	+0.7	--	6.00	--	32.04	773.51	777.45	765.51	664.39
62	Banks (9)	917.23	+0.7	4.54	5.81	41.62	37.46	910.72	920.18	904.10	694.11
65	Insurance (Life) (7)	1454.05	+1.3	-	5.82	-	63.68	1435.27	1441.79	1415.08	1256.57
66	Insurance (Composite) (6)	573.68	+1.0	-	7.65	--	32.94	567.98	569.20	561.11	566.44
67	Insurance (Brokers) (9)	1120.94	+1.0	7.33	6.05	17.86	43.14	1109.95	1105.62	1104.93	882.60
68	Merchant Banks (7)	480.07	+0.1	-	4.40	-	13.08	479.73	479.18	476.07	345.97
69	Property (36)	896.88	+0.3	6.03	5.19	23.56	24.74	894.55	893.90	876.97	908.12
70	Other Financial (17)	255.16	-0.6	11.20	7.20	11.21	11.08	256.73	257.04	256.78	243.45
71	Investment Trusts (70)	1234.61	+0.2	--	3.51	-	28.89	1232.06	1229.54	1221.93	1005.35
99	ALL-SHARE INDEX (661)	1242.37	+0.8	--	4.78	-	37.18	1232.39	1233.69	1216.26	992.67

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 29	Oct 28	Oct 25	Oct 24	Oct 23	Year ago
FT-SE 100 SHARE INDEX‡	2577.1	+23.8	2580.1	2555.5	2553.3	2558.5	2514.7	2528.3	2561.1	2050.3

FIXED INTEREST

	PRICE INDICES	Wed Oct 30	Day's change %	Tue Oct 29	Accrued Interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (27)	122.10	+0.10	121.98	1.91	10.20
2	5-15 years (28)	134.67	+0.23	134.35	1.58	11.84
3	Over 15 years (8)	144.15	+0.08	144.03	2.49	10.60
4	Irredeemables (6)	156.59	+0.27	156.17	-0.02	13.45
5	All stocks (69)	133.08	+0.18	132.85	1.78	11.33
	Index-Linked					
6	Up to 5 years (2)	166.48	+0.01	166.45	0.30	3.16
7	Over 5 years (9)	149.14	-0.12	149.31	0.73	3.83
8	All stocks (11)	150.40	-0.10	150.54	0.67	3.81
9	Debs & Loans (61)	113.65	+0.31	113.30	1.82	9.21

	AVERAGE GROSS REDEMPTION YIELDS		Wed Oct 30	Tue Oct 29	Year ago (approx.)
	British Government				
1	Low	5 years	8.54	8.66	10.49
2	Coupons	15 years	9.44	9.45	10.74
3	(0%-7¾%)	20 years	9.44	9.45	10.82
4	Medium	5 years	9.68	9.73	11.34
5	Coupons	15 years	9.58	9.59	11.17
6	(8%-10¾%)	20 years	9.54	9.55	11.11
7	High	5 years	9.88	9.93	11.46
8	Coupons	15 years	9.67	9.69	11.40
9	(11%-)	20 years	9.60	9.61	11.37
10	Irredeemables	†	9.65	9.67	10.94
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.82	3.81	3.97
12	Inflation rate 5%	Over 5 yrs.	4.23	4.22	4.34
13	Inflation rate 10%	Up to 5 yrs.	3.19	3.19	2.74
14	Inflation rate 10%	Over 5 yrs.	4.05	4.04	4.15
15	Debs &	5 years	11.30	11.40	13.28
16	Loans	15 years	11.11	11.17	12.85
17		25 years	10.93	10.97	12.51

‡Opening Index 2561.4; 9 am 2560.3; 10 am 2557.4; 11 am 2561.3; Noon 2569.4; 1 pm 2578.6; 2 pm 2579.7; 2.30 pm 2579.1; 3 pm 2576.7; 4.10 pm 2577.4; (a) 1.34pm (b) 10.21am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	57	11	14
Corporations, Dominion and Foreign Bonds	10	0	10
Industrials	334	198	961
Financial and Properties	104	151	505
Oils	18	19	53
Plantations	0	0	10
Mines	15	59	79
Others	37	69	45
Totals	575	507	1,677

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
180	F.P.	–	200	188	Adam & Harvey	196		W10.0	5.9	6.8	3.3
–	F.P.	–	2½	2	Butte Mining Wrnts.	2½		–	–	–	–
†	F.P.	–	110	85	Capital Ventures 1p	85		–	–	–	–
4	F.P.	–	9½	4	Culver 1p	4		–	–	–	–
100	F.P.	–	102	98	Drayton Recovery Trust	99		M7.8	–	10.5	–
25	F.P.	–	26	26	♦Dumas Group 10p	26		–	–	–	64.2
–	F.P.	–	23	18	Eng. & Scott. Wrnts.	20		–	–	–	–
–	F.P.	–	320	213	Eurotunnel '91 Wrnts.	243	-2	–	–	–	–
100	F.P.	–	115	105	Gartmore Scotland Inc.	112		M11.6	–	13.8	–
100	F.P.	–	99	85	Do. Capital	92		–	–	–	–
–	F.P.	–	£665	£605	Do. Units	£655		–	–	–	–
–	F.P.	–	22	18½	M & G Income Cap. 1p	19	-½	–	–	–	–
§28	F.P.	–	66	62½	Do. Geared Units	62½	-½	–	–	–	–
§44	F.P.	–	45	44	Do. Income 1p	44	-1	M4.91	–	14.9	–
100	F.P.	–	102	98	Do. Package Units	98	-1½	M4.91	–	6.7	–
50	F.P.	–	54	47	♦Simpson of Cornhill 5p	48		–	–	–	14.9
62½	F.P.	–	63	62	Vtech Holdings 5c	63		–	–	–	–
–	F.P.	–	1¾	1½	Wills Group Wrnts.	1¾	+¼	–	–	–	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
–	F.P.	-	107½	97½	Allied Radio 8pc Cv Uns Ln 2001	97½	
10p	F.P.	-	8p	8p	Butte Mining 10pc (Net) Cv Prf 1994	8p	
100	F.P.	-	100	98½	Cambourne Inds. 10½pc Rd. Deb. 2001	98½	-1
100p	F.P.	-	102p	100¼p	Drayton Recovery Tst. Prfd. Growth £1	100¼p	
100p	F.P.	-	112½p	104¼p	Gartmore Scotland Zero Div Prf.	112½p	
–	F.P.	-	96	93¼	Land Securities 10pc 1st Mtg Deb 2027	95	+1¼
34½p	F.P.	-	37p	36p	M & G Income Zero Div Prf. 1p	36p	-½
100p	F.P.	-	104p	101¼p	NatWest Bank 9pc Prf Series A	103¼p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
35	Nil	29/11	8pm	3½pm	ASDA	6½pm	+3¼
10	Nil	20/11	2pm	1½pm	British Thornton 5p	1½pm	-½
28	Nil	5/12	1¼pm	1¼pm	♦Crossroads Oil 5p	1¼pm	
45	Nil	26/11	6pm	3pm	♦Crown Comms. 10p	3pm	
26	Nil	20/11	2¼pm	1pm	Dewhirst Group 10p	1¼pm	
310	Nil	2/12	70pm	55pm	Domino Printing Sciences 5p	69pm	
Ir7.5	Nil	12/12	1½pm	¾pm	♦Kenmare Res. Ir5p	¾pm	
80	Nil	27/11	21pm	17pm	Meggitt 5p	19pm	
65	Nil	29/11	4pm	¾pm	Porter Chadburn 5p	¾pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. o Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings Oct. 21
● Last Dealings Nov. 1
● Last Declarations Jan. 23
● For settlement Feb. 3

For rate indications see end of London Share Service

Calls in Legal & General, Next, Premier Cons., Ratners, Saatchi & Saatchi and Tarmac. Puts in First Natl. Finance Corp and WPP.

LONDON TRADED OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allid Lyons (*604)	550	61½	82½	–	9	15½	–
	600	32	51½	61½	27½	33½	40½
	650	13	31½	40½	57½	61½	68½
ASDA (*42)	34	10½	11½	–	1¼	3	–
	40	–	–	9½	–	–	4½
	43	5	6	–	4½	6½	–
Brit. Airways (*202)	180	25	30½	33½	3½	5½	8½
	200	12	18½	21½	9½	13	17
	220	4½	10½	12½	23½	24½	27½
SmKl Beecham A (*808)	750	76½	96½	113	10	16	22½
	800	42	64½	82½	25	32½	39½
	850	20	40½	–	52½	57½	–
Boots (*431)	390	42	59	60½	3½	5	9½
	420	23	37	39½	11	13½	19
	460	6½	17½	17	35½	36½	40½
B.P. (*332)	330	13	18	23	11	15	17
	360	3½	8½	12	33	35	36
British Steel (*120)	120	4½	8	11	6½	8½	11
	130	1½	4½	6¼	13	14	17
Bass (*976)	950	43½	67½	81½	24½	33½	35½
	1000	18½	41½	55½	53½	60½	61½
C & W (*570)	550	38	57	68½	14	21½	27½
	600	15	32½	43	42½	46½	52½
Courtaulds (*482)	460	36	51	57	9¼	14½	18½
	500	15½	30	36	29	31	35
Com. Union (*475)	460	31½	39½	45	7½	16½	20
	500	11½	18½	25	28½	38½	40½
Fisons (*462)	460	23	34	45	18	24	28
	500	8½	18	27	44	48	50
GKN (*340)	330	26½	32½	36½	9	18½	22
	360	11½	17½	23	23½	34½	37½
Grand Met. (*853)	850	40	54½	78	30	39½	44½
	900	16	33½	54½	60½	67½	72½
I.C.I. (*1287)	1250	86½	107	127	27½	51½	56½
	1300	57½	78½	98½	47	75½	80½
Kingfisher (*555)	550	32	50½	57½	16	22½	29½
	600	10½	25½	32½	47½	50½	55½
Ladbroke (*256)	240	19	27	–	6½	11½	–
	260	–	–	24½	–	–	19
Land Secur (*504)	500	19	32½	39½	14½	17½	24½
	550	4	11½	17	50½	51	52½
M & S (*291)	280	17	27½	29½	6½	9	11½
	300	8	17	20½	18	19½	20½
Sainsbury (*334)	330	–	27	30	–	11½	14½
	360	6	–	–	24½	–	–
Shell Trans. (*512)	500	30½	35½	46½	9¼	14½	18
	550	8½	13	21	38½	44½	45½
Storehouse (*108)	100	10½	13½	15½	3	4¼	6
	110	5	8	10½	9	10½	11½
Trafalgar (*242)	240	–	22	25	–	21	26
	251	9	–	–	23	–	–
Utd. Biscuits (*384)	360	36	44	46	5½	11½	13½
	390	17½	25½	30	16½	24	26
Unilever (*807)	800	36½	51	65½	20½	32½	35½
	850	14	27½	41	50½	60	62½
Ultramar (*343)	330	27½	32½	39½	13	18½	22½
	360	11½	21	23½	26½	31½	37½
Option		**Nov**	**Feb**	**May**	**Nov**	**Feb**	**May**
Brit Aero (*361)	360	1½	27½	32½	9½	18½	30½
	384	5	17½	22	23½	31½	45½

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
BAA (*448)	420	29½	39½	52½	1¼	9	12
	460	4	18½	29½	16	23½	29½
BAT Inds (*620)	600	22½	44½	55	6½	17	23½
	650	3½	19½	31	38½	37½	46½
BTR (*399)	390	13	26½	32½	4½	11	18½
	420	1½	11½	18½	22	28½	32½
Brit. Telecom (*389)	360	30½	37½	47½	1¼	6¼	10
	390	8	18½	29½	9	18½	22½
Cadbury Sch (*411)	390	25½	43	47½	3½	12½	20
	420	8	23½	34½	15	23	32½
Eastern Elec (*241)	230	12½	18½	23½	2½	7	9
	250	2¼	8	13½	12	17½	19½
Guinness (*527)	500	30	48½	57½	2¼	9½	15½
	525	18½	32	42	9½	18	25½
GEC (*190)	180	11	15	21½	1½	4½	6
	200	1¼	5½	10½	11	14	15½
Hanson (*213)	200	14	17	21	½	5¼	8
	220	2	6	10½	8½	17¼	19½
LASMO (*325)	300	27½	40½	45½	3	9	12½
	330	9½	23	29	13½	20	27½
Lucas Inds (*139)	130	11½	17½	21½	1	3¼	6
	140	4½	11½	15½	4	8	10½
P. & O. (*508)	500	–	–	47½	–	–	27½
	519	7	27½	37½	16	27	35½
Pilkington (*161)	160	7¼	13½	20	4½	11	13½
	180	1½	6½	12½	18½	24	23
Prudential (*236)	220	16½	25½	20½	1	3¼	7
	240	3½	13	16½	7½	11½	13½
Racal (*55)	55	2¾	–	–	2¼	–	–
	60	1	3¼	–	5½	6½	–
R.T.Z. (*553)	550	15	36½	43½	9½	19½	29½
	600	2	15	22½	47½	47½	55½
Scot. & New (*393)	390	11½	22	34½	7	16½	20
	420	2¼	11½	20	27½	34½	38½
Tesco (*236)	220	17½	24	27½	½	4	6
	240	4½	13½	18½	7½	11½	13½
Thames Water (*374)	370	8½	16½	–	9½	12½	–
	390	–	–	18½	–	–	32½
Vodafone (*385)	360	27½	38½	51½	2	9½	13½
	390	7	22½	34½	10½	22	27½
Option		**Dec**	**Mar**	**Jun**	**Dec**	**Mar**	**Jun**
Abbey Nat. (*276)	260	21½	28½	–	1¼	6¼	–
	280	8	15½	20½	9	14½	17½
Amstrad (*36)	35	3¼	6¼	8	2¼	4¼	5½
	40	1¼	3¼	5¼	5½	7	8½
Barclays (*425)	420	18	28½	34½	9½	19	22
	460	3¼	10½	17	36½	42½	46½
Blue Circle (*243)	240	11½	21	24	6½	11½	15½
	260	4	12	15½	18	22	27
British Gas (*260)	260	9	15½	18½	6¼	10½	13
	280	2¼	7¼	11	20½	22½	23½
Dixons (*245)	240	13½	21½	29½	8	12½	15
	260	6	11½	20½	19	23	25
Eurotunnel (*434)	420	31½	50	66½	15½	25	35
	460	13½	30	47	39	45	57½
Glaxo (*782)	750	52½	76½	96½	15	24½	32½
	800	23½	48	67½	36½	45½	51½
Hawker Sidd. (*729)	700	30	45	48	5½	12	20
	750	6	18	25	30	38	45

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Hillsdown (*200)	200	–	–	18½	–	–	–
	216	2½	8	–	18	20	–
Lonrho (*246)	240	13½	18	21	6	14½	17½
	260	4½	8½	12	16½	27	29
Midland Bk (*237)	220	23	30½	–	3	7	–
	240	11½	20	27	9	14½	18½
National Power (*161)	160	7¼	11	15½	6	8½	20½
	180	2¼	4¼	7½	19½	20½	22½
Reuters (*940)	900	65½	93½	115	17	36½	49½
	950	33½	66½	86½	38½	58	70½
R. Royce (*139)	130	12½	16	18	2	6½	8½
	140	5½	10½	12	6½	11½	13
Scottish Power (*109)	100	11	13½	15½	1½	3½	4
	110	4½	6½	9½	4½	8	9
Sears (*103)	100	6	10½	13½	4	5	8
	110	2½	6	8	9	11½	14½
Forte (*274)	260	20	29	33	3	6	9
	280	7	17½	23½	7½	13½	19½
Thorn EMI (*808)	800	22½	44½	69	16	25½	28½
	850	7	20½	40½	46½	53½	57½
TSB (*134)	130	9	13	15½	3	6¼	8½
	140	4½	8	11½	7½	12	13
Vaal Reefs (*66)	60	9¼	12	15	2	4½	6½
	70	4½	7½	9¼	6¼	9½	11
Wellcome (*770)	750	40½	71	91½	22	34½	40
	800	10	46½	66½	45½	58½	61½

EURO FT-SE INDEX (*2577)

2425 2475 2525 2575 2625 2675 2725 2775

CALLS Oct	152	102	52½	8½	½	½	½	½
Nov	172	127	84½	49½	22½	9½	3	1
Dec	196	–	114	–	53½	–	16½	–
Mar	245	–	172	–	112	–	65	–
Jun	285	–	213	–	155	–	105	–
Sep	317	–	252	–	192	–	140	–
PUTS Oct	½	½	½	4½	44½	94½	144	194
Nov	7½	11½	17½	32½	56½	90½	135	182
Dec	15½	–	31½	–	67	–	130	–
Mar	38	–	62	–	96	–	145	–
Jun	52	–	75	–	105	–	150	–
Sep	57½	–	87½	–	120	–	165	–

FT-SE EUROTRACK 100 INDEX (*1181)

1050 1075 1100 1125 1150 1175 1200

CALLS Dec	65	45	25	11	5½	2½	1½
Mar	92½	82½	57½	44	29	19	4
PUTS Dec	8	11½	21	32	51	75	97
Mar	16	21	27	37½	49½	60	80½

FT-SE INDEX (*2577)

2400 2450 2500 2550 2600 2650 2700 2750

CALLS Oct	179	129	79½	28½	1	½	½	[illegible]
Nov	196	149	105	66½	36	15½	6½	[illegible]
Dec	218	175	134	96½	65½	42	24	[illegible]
Jan	238	196	157	121	90½	63½	43	[illegible]
Jun †	300	–	233	–	169	–	116	[illegible]
PUTS Oct	½	½	½	1	22½	72½	122	[illegible]
Nov	6½	8½	16	26½	46½	79½	123	[illegible]
Dec	13	18½	27½	42	61	90½	120	[illegible]
Jan	20½	28½	39½	54	75	100	134	[illegible]
Jun †	53	–	77	–	114	–	164	[illegible]

October 30 Total Contracts 39,521 Calls 25,074 Puts 14,447 FT-SE Index Calls 4,084 Puts 3,607 Euro FT-SE Calls 3,994 Puts 4,315 Eurotrack 100 Index Calls 0 Puts 0 *Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

UK COMPANY NEWS

Cypriot bank calls for lifting of freezing orders

By David Barchard

THE CENTRAL Bank of the internationally unrecognised Turkisb republic of northern Cyprus last night said that it was considering going to the Appeals Court to try to get a freezing order lifted on £38.9m of its assets.

The bank is fighting tbe imposition of a High Court order which would freeze £38.9m of its assets and wants the order lifted immediately, without waiting for a High Court hearing on Friday.

Mr Bernard Eder QC, representing the central bank, said that it was wholly unprecedented for a central bank and a government to be hamstrung in this way.

Earlier the court heard evidence that millions of pounds flowed out of Polly Peck International, the fruit and electronics conglomerate, into the Industrial Bank of Cyprus over a three-year period, and from there went into the Turkish Cypriot central bank.

Mr David Oliver QC, wbo is representing the administrators of Polly Peck International, told Mr Justice Mummery that £142m passed from Polly Peck into a London account held by the IBC which is controlled by Mr Asil Nadir, Polly Peck's chairman.

The payments were made between September 1987 and September 1990, and apparently continued last autumn at a time when the company was plunged Into crisis and its stock exchange quotation had been suspended.

Payments totalling £38.9m were passed from the IBC to the Turkish Cypriot central bank.

The judge refused an application by Mr Nadir and his mother, Mrs Safiye Nadir, for the administrators' evidence to be read out in closed court.

Seven defendants, including the Turkish Cypriot central bank, are being sued for the recovery of amounts totalling over £500m.

Mr Nadir and his mother are subject to asset-freezing injunctious agreed at a High Court hearing on Tuesday for £378m for Mr Nadir and £73m against Mrs Nadir.

Mr Gerald Clarke, counsel for the Nadirs, said that it was rigbt to remember that none of the allegations of wrongdoing had been tested by a court or proved. Tbey were based nn surmise and speculation and would be strenuously denied.

It was unfair to alr tbe allegatioos in open court before the press and the public before the Nadirs had an opportunity to put in their own evidence.

The judge said that the claims could oot be described as hackground allegations and he was not satisfied that justice required that they should be heard behind closed doors.

Profits at Vestel Elektronik, the Turkisb consumer electronics subsidiary nf Polly Peck International, plunged in the first nine months of this year.

The company made net profits of TL40.29bn ($8.1m) compared to Tl 104.07bo in the same period last year.

Net sales rose by 47 per cent to TL851.4hn (TL578.8bn) but the increase laggad behind Turkey's 65 per cent inflation.

Losses at Mrs Fields increase to $6.1m

By Clare Pearson

MRS FIELDS, the US cookie company whose ehares were suspended a month ago after the Stock Exchange expressed donhts abont certain of its deals with connected companies, yesterday announced its pre-tax losses had deepened from $5.12m to $6.09m, or £3.52m, in the six months to end-June.

The company laid the blame for a three per cent fall in turnover to $58.62m ($65.17m) on the recessionary trends in all its principal markets.

Mrs Fields said it did not envisage the payment of a dividend in respect of the current year and added it had agreed with its bankers not to pay dividends on the preferred shares before April 1992. It was hopeful of agreeing with its bankers longer-term borrowing arrangements hy the end of March next year.

On the policy of franchising stores to managers it said that the first transactions had been complated and interest was "encouragingly high". On its marketing arrangements with the Marriot hotel chain, it said 11 stores had been opened to date.

The Stock Exchange has yet to decide whether Mrs Fields should have circularised shareholders on the deals which it queried last month. These were with affiliates privately owned by Mr Randall Fields and Mrs Debbi Fields, the company's founders.

Regalian buys 'strategic' 9.9% Frogmore stake

By Richard Gourlay

REGALIAN PROPERTIES yesterday hought a 9.97 per cent stake in Frogmore Estates, which Southend Property was left holding after its hostile £139m bid for the conservatively run group failed in June.

Regalian paid £13.97m or 350p a share for the stake, a price which it said represented "a significant discount to net asset value".

By buying just less than 10 per cent of Frogmore – even though Southend sold more than that figure yesterday – Regalian immediately sparked speculation that it was preparing for a full bid. It will not now be forced to make a cash alternativa availahle if it should make a full paper bid.

Mr David Goldstone, the Regalian chairman, would not comment on the bid speculation but called the Frogmore purchase "a strategic stake".

The acquisition gave Regalian an interest in income producing properties at a discount to net assets and was in line with the strategy of developing an investment portfolio, he said.

In June, Regalian raised £20.1m in a rights issua to take advantage of opportunities that would arise in the recession-hit property market.

Regalian's purchase of the stake at this stage appears to be a pre-emptive move against other property companies. The casb from the rights issue would not be enough to back a cash bid for Frogmore and Regalian is understood not to want to raise its gearing much above its current 70 per cent.

Mr Goldstone's scope for further moves is limited until Regalian sells its prestigious Palace Green apartment block or the 20 individual units. Retailing at an average £5m, these ultra-luxury apartments have yet to attract acceptable offers, although one Japanese buyer expressed an interest in buying the entire block.

Mr Malcolm Dagan, tha Southend chairman, said he had accepted an offer, after 24 hours of negotiations, which he thought "fully reflected the value of the shares".

Southend was widely seen to have failed to acquire Frogmore because it was offering its paper not cash.

Regalian joins Markheath Securities and the Equitable Life as the threa dominant shareholders in Frogmore.

Frogmore'e shares rose 11p to 340p.

Ultramar unlikely to suggest break-up in Lasmo bid defence

By Deborah Hargreaves

ULTRAMAR, the diversified oil and gas company, will issue a defence against the £1.19bn bid by fellow exploration company, Lasmo, on Monday, but it may fall short of some shareholders' expectations.

The company is unlikely to suggest breaking itself up or making any significant management changes, as some shareholders had hoped.

Ultramar is likely to stress its record in replacing its oil reserves more cheaply than Lasmo. Ultramar spends 96p to replace a barrel of oil reserves, compared with 203p for Lasmo, and an industry average of 106p.

In addition, Ultramar will point to its higher earnings per share last year of 32.2p compared with Lasmo's 21.1p. it will indicate the small premium offered by Lasmo – about 30 per cent over Ultramar's share price – which is lower than prices paid previously in the sector. Britisb Petroleum paid a 170 per cent premium for Britoil in 1988.

Shareholders are, bowever, unlikely to be moved by these measures and believe Ultramar will ultimately he forced to split up the company in an effort to release value.

"Ultramar has failed to deliver. Its muddled strategy has led only to a long-term real decline in financial performance and share price," said Mr Chris Greentree, chief executive of Lasmo yesterday in a circular to shareholders.

Lasmo has said it will fit Ultramar's upstream activities into its own exploratioo arm, and will sell refineries in California and Canada as well as its shipping husiness.

The circular said that Ultramar shareholders had seen the value of their investment fall by 37 per cent over the past 10 years and would have earned more hy placing the money in a building society account.

Ultramar's directors will not be cheap to get rid of even if Lasmo does succeed with its bid. Fund managers' estimates put severance packages for the company's board at between £40m and £70m.

Chris Greentree: critical of Ultramar's muddled strategy

F Cooper to hold dividend

By Paul Cheeseright

Frederick Cooper, the West Midlands-based architectural hardware, electrical prodncts and metal finishing group, is dipping into reserves to maintain the 1990-91 dividend at 4p with an unchanged final of 2.5p.

Pre-tax profits for the year to July 31 were £3.9m, compared with £4.6m. The result was after exceptional reorganisation costs of £268,000.

The cost of meeting dividend payments is £3.08m, which, added to extraordinary losses of £454,000 arising from the costs of discontinued operations, eats up the after-tax profits of £2.86m and leaves a deficit of £679,000 (£5.52m profits).

Chillington declines sharply to £109,000

THE CHILLINGTON Corporation, with interests in engineering, plantations commodities, property and investments, announced a sharp fall from £1.2m to £109,000 in pre-tax profits for the half year to June 30. Turnover fell from £31.9m to £27.5m. The profit was after exceptional redundancy costs of £100,000.

The overseas companies had continned to perform well despite generally lower commodity prices. Oil palm and cocoa prices had recently shown some improvement while the African tool manufacturing companies were performing particularly well.

The interim dividend is cut from 2p to 0.5p on a loss per share of 2.09p basic (earnings 2.03p) after tax of £228,000 (£237,000).

● Anglo-Eastern Plantations, a 52.43 per cent subsidiary of Chillington, lifted pre-tax profits from £74,000 to £106,000 for the six mooths to June 30. It also announced a 2-for-7 rights issue yesterday to raise £1.2m net.

The issue is underwritten by Smith New Court at 33p per share compared with a price of 43p before the announcement. The issne is to rapay short-term debt.

Chillington, is to take up 1m of the new shares, representing 30.1 per cent of its entitlement and decreasing is overall stake to less than 50 per cent. The balance of Chillington's entitlement, 2.32m shares, will be allowed to lapse.

The directors said they intended to pay a dividend for 1992. Earnings for the half year were 0.3p (0.2p).

NEWS DIGEST

DC Cook seeks £4.2m via placing

DC COOK, the USM-quoted motor retailer and petrol station development group, plans to raise £4.2m net to expand dealerships including new Nissan ootlets, support the growth of the Spanish company, and reduce borrowings.

There will be a placing of 14.3m shares at 32p each, underwritten by Samuel Montagu, and 8.89m have been placed firm with institutions. Shareholders will be invited to claw back on a 1-for-2 basis.

Yesterday the shares rose 2p to 38p.

The 8.89m shares represent 62 per cent of the placing and are the entitlement of the trustees of the DC Cook and AH Ball family settlements, and of Mr DC Cook and Mr AH Ball. Those are not being taken up because the directors want to increase the number of institutional shareholders, "whose support will be important to the company's future development."

Mr Derek Cook, chairman, said the group had been awarded two franchises by the new Nissan GB and was in discussion regarding three more. The motor division currently operates five other franchises – Rover, Fiat, Ford, Audi/Volkswagen and Renault.

Cowan helps Wilton return to the black

Wilton Group, the property and investment concern, returned to profit on the first half of 1991 with the help of improved figures from Cowan de Groot, the wholesaler and distribntor of toys, electrical components, hardware and housewares.

Throughout the period Wilton owned 29 per cent of Cowan; hut hy September 9 that bad been increased to nearly 70 per cent following its offer for the shares.

Taking in £257,000 from Cowan, Wilton produced a profit of £68,000 in the six months, compared with a loss of £438,000 which incloded £313,000 exceptional costs of writing down quoted investments. Earnings per sbare 0.01p (losses 0.1p).

Turnover at Cowan for the year ended April 30 was £31.6m (£32.1m) and pre-tax profit worked through at £1.13m (£163,000) after exceptional credits of £1.21m, mainly from the sale of properties. Earnings per share were 3p (losses 3.5p).

Jackson tumbles £0.29m into loss

Jackson Group, the civil engineer and constructor, suffered a pre-tax loss of £292,000 for tha first half of 1991 after an exceptional dehit of £105,000. There were profits of £609,000 last time.

Mr Frank Jackson, the chairman, said thet engineering and property sales were most affected hy the adverse conditions which resulted in the depressed results. Civil engineering and huilding order books were at a good level and the work continued to be profitabie albeit at narrow margins.

The chairman said there appeared little evidence of economic recovery in Jackson's areas of activity.

However the interim dividend has been maintained at 1p.

Turnover for the six months declined from £28.9m to £26.4m and the trading profit was almost halved to £763,000 (£1.45m). After tax credit of £102,000 (£225,000 charge) the loss per share was 0.9p (earnings of 1.8p).

The exceptional item arose form redundancy and reorganisation costs.

Cullens advances 9% to £370,000

Cullens Holdings, which operates a chain of local food shops, increased lta pre-tax profit hy 9 per cent, from £339,000 to £370,000, in the six months ended August 25 1991.

Operating profit was £135,000 (loss £33,000) hecause of the strong sales performance of franchised operations. Profits from the sale of franchises continued, but at a reduced level and amounted to £197,000 (£482,000).

However, operating profit was expected to increase as that from sales of franchising declined, said Mr Rohert Rayne, chairman. Exceptional credits were £38,000 (£110,000 debit).

Earnings per share were maintained at 1.3p.

Cost cutting helps lift Usher-Walker

Usher-Walker, maker of printing inks and rollers, lifted pre-tax profits from £149,000 to £217,000 in the first half of 1991 and is raising the interim dividend from an adjusted 1.75p to 2p.

The 46 per cent profit rise was achieved despite a slip in turnover to £8.34m (£8.47m), higher interest charges and £65,000 reorganisation costs. Earnings per share were 3.23p (1.3p).

Mr Peter Walker, chairman, said conditions were difficult and there were no signs of an upturn. New products helped to protect margins from competitive pressure on prices.

Investment restricts Essex Furniture

Essex Furniture lifted trading profit by 12 per cent but saw the pre-tax outcome fall from £594,000 to £497,000 in the year ended June 30.

That was attributable to net interest received falling from £141,000 to £28,000, as funds were invested in further sales outlets reflecting the effects of lowered interest rates.

This USM-quoted, which group makes and retails furnitnre from seven stores, increased gurnover to £4.69m (£3.36m).

Earnings per share came to 3.48p (4.49p) and the dividend is raised to 2.5p (2p) with a final of 1.25p.

Alpine looking to second half

The expanded Alpine Group, the soft drinks and hotel concern, incurred a loss of £281,000 in the first half of 1991, compared to £5,000.

In the period Alpine Soft Drinks (UK) was the only trading company. It saw turnover drop from £3.94m to £2.7m as a result of the bad weather and recession, with the former having the greater impact.

However, tbe Christmas order book was now encouraging and Mr Sandy Saunders, chairman, believed thare would be a better second half.

In September the gronp acquired Farringford Hotel (Freshwater), which owns a country hotel, holiday cottages and leisure facilities on the Isle of Wight. The year's results would also reflect its performance.

Losses per share in the half year were 3.27p (0.01p).

Novalal losses down after write-offs

Novalal, chemicals and researchers and developers into plant culture, which came to the USM via an introduction in February 1990, incurred further pre-tax losses in the six months to end-July of £890,000.

But these were down from the £1.33m of the corresponding period, after taking account of an exceptional £238,000 relating to leasehold premises written off and proposed fixed asset write-offs. The loss also inclnded payments of £43,000 to former officers and employees.

Mr Raymond Spier, chairman, said tha improvement was brought about by a combination of factors hnt chiefly due to the acquisition of Novachem in February this year.

Healthcare buy behind rise at Shiloh

Despite a severe downturn at its spinning subsidiary, Shiloh, the Lancashire-based textile spinner, healthcare and protective clothing group, reported a 26 per cent improvement in pre-tax profits in the half-year to October 5.

From turnover up from £8.17m to £11.3m pre-tax profits increased from £302,000 to £380,000. Earnings per share came out at 4.48p (3.47p) and the interim dividend is maintained at 0.875p.

The directors said it had been a very difficult six months with all areas affected by the continuing recession. The healthcare side had shown encouraging growth, with the bulk of the profits rise generated by one of the group's new acquisitions.

The spinning subsidiary continued to be hit by the high level of cheap imports. One mill had been on short time since the beginning of July and there was no immediate prospect of a recovery in demand, the company said.

PUBLIC WORKS LOAN BOARD RATES

Effective October 30

Years	Quota loans* EP†	A††	maturity§
1			10¼
Over 1 up to 2	10¼	10¼	10⅜
Over 2 up to 3	10⅜	10⅜	10⅜
Over 3 up to 4	10⅜	10⅜	10⅜
Over 4 up to 5	10⅜	10⅜	10⅜
Over 5 up to 6	10⅜	10⅜	10½
Over 6 up to 7	10⅜	10⅜	10⅝
Over 7 up to 8	10⅜	10⅜	10⅝
Over 8 up to 9	10⅜	10½	10¾
Over 9 up to 10	10½	10⅝	10¾
Over 10 up to 15	10⅝	10¾	10¾
Over 15 up to 25	10¾	10¾	10¾
Over 25	10¾	10¾	10⅝

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Reed ahead of market expectations with £85.3m

By Raymond Snoddy

MR PETER DAVIS, chairman of Reed International, the publishing and information group, said yesterday he saw the first signs of a fragile recovery in the UK consumer sector.

The cautious optimism came as the publisher announced better than expected pre-tax profits of £85.3m for the six months to the end of September, a fall of 21.6 per cent.

The main drag on profits was the more than £15m spent on defending TV Times and launching What's on TV following deregulation of the television listings market.

The City reacted immediately to the optimistic note from Mr Davis, and Reed International's share price rose from 471p and closed at 504p, after touching 506p, its best single-day performance for four years albeit against the backgronnd of a rising market.

Mr Davis said yesterday that Reed had been among the first to warn of the coming recession in February 1989 when advertising in Reed's IPC consnmer magazines division began to fall away.

IPC is the UK's largest consumer magazine gronp with 54 titles in 30 market sectors.

The dust has settled after the multi-million UK television listings wars following deregulation of the Radio Times-TV Times duopoly.
The BBC holds the high ground and largest sales with Radio Times, claiming a circulation of 1.5m and 56 per cent ABC1 readership.
Reed has won market share of over 50 per cent by launching What's on TV which, like TV Times, sells about 1.2m. The new title also protected TV Times against the feared attack from the German publisher Bauer and TV Quick. Quick nearly reached 2m sales after a cut-price campaign, but is now in fourth place with 750,000.

"We are now seeing the same situation in reverse," said Mr Davis who added that there was increasing confidence at IPC and advertising yields had started to increase.

The Reed chairman included a note of caution "because we are all a bit shell-shocked".

Despite the fall in pre-tax profits, Reed said that tight control of working capital had led to an operating cash inflow of £85m, an increase of 27 per cent.

"In these very difficult market conditions such results reflect the basic resilience of our spread of businesses and the firm action we have taken in last 18 months to minimise the impact of the economic downturn," Mr Davis said.

The pre-tax profit of £85.3m was achieved on a turnover of £760.8m, compared with £108.8m profit on turnover of £764.1m last time. Earnings per share fell from 13.7p to 10.8p, but the interim dividend has been increased hy 5 per cent to 5.25p.

There was a strong performance from Reed books which increased operating profit from £24.4m to £31.1m and IPC magazines excluding TV listings managed a small profit.

Mr Terry Connor, publishing analyst at stockbrokers Smith New Court, said yesterday that Reed had done everything that could be expected in cutting costs but like any other company with large overseas interests was still at risk from currency and macroeconmic changes. He raised his forecast for the full year by £10m to £220m.

M and S mounts full-scale review of Canadian operations

By Bernard Simnn in Toronto

MARKS and Spencer's decision to mount a full-scale review of its Canadian operations comes just as the group was giving the impression that it had found some answers for its 19-year old problem child across the Atlantic.

M and S Canada has in the past year begun to remodel many of its 70 stores in Canada and changed the mix of merchandise. It has closed half-a-dozen outlets and plans to shut several more. Mr Darrel Hayes, president of the Canadian subsidiary since 1972, is taking early retirement.

The appointment of Burns Fry to examine the future of M and S Canada and its two sister chains, Peoples and D'Allairds, may signal more radical action. Burns Fry is one of Canada's leading mergers and acquisitions specialists, fuelling speculation that M and S will put all or part of the Canadian operation up for sale.

M and S has failed dismally to transplant its successful high-quality hut no-frills formula to North America. "They were somewhat arrogant," says Mr John Winter, a Toronto retailing consultant. Unlike most other North American retailers, M and S seldom advertises its wares in local newspapers.

M and S was also hamstrung hy a promise to Ottawa's foreign Investment agency to huy 90 per cent of its merchandise from Canadian suppliers.

In the remodelled stores, there is a much higher proportion of UK-made items, especially food, and a sharper distinction has been drawn between the food and clothing departments. "Pies and panties are a difficult concept to grasp here," Mr Winter says.

M and S's two other Canadian chains have been somewhat more successful, but have also been battered hy the recession.

Confident BTR defends acquisitions

THE PROPAGANDA war in the £1.5bn battle for Hawker Siddeley continned yesterday with BTR defending its acquisition record and further describing how the two businesses would fit together, writes Andrew Baxter.

The conglomerate, which is becoming increasingly confident about the progress of the bid, foreshadowed the creation of a new force in electrical engineering hy hringing together Hawker's electric motors, transformers, switchgear and signalling businesses into a glohal sector with turnover of more than £750m.

BTR also hit back at last week's allegations by Hawker that it had sacrificed the long-term growth of some acquired businesses for short-term increases in margins. It said its confidence about managing Hawker was based on its record of acquiring businesses and improving their performance.

BTR responded to Hawker's claim that it was primarily a collection of niche businesses by saying that six of its business sectors, representing 35 per cent of 1990 turnover, had a global presence.

It detailed achievements in three businesses, including its sealing systems group, a small husiness in 1968 but one where BTR says it identified the market as increasingly requiring glohal suppliers. The business had increased sales to £263m last year.

On the integration of Hawker with BTR, the conglomerate said a takeover would bring it one new global sector, electrical engineering, and one strong regional business, industrial batteries.

It said Hawker's aerospace activities would further enhance BTR's position in important markets, while BTR's instrument companies would be combined with Hawker's instruments and controls husiness.

In a further attempt to rebut Hawker's criticism that there is virtually no overlap between the companies, BTR said it had a substantial presence in mechanical engineering and would be able to use its experience to revitalise those "neglected" businesses within Hawker.

Separately, BTR said last night that the total number of Hawker shares which it either owned or had acceptances for was 14.46m or 7.3 per cent of the ordinary share capital.

Open to attack when the luck runs out

Kevin Brown looks at why Hawker Siddeley attacked BTR Nylex in its document

MR ALAN JACKSON is a corporate hero in Australia, where he was twice Businessman of the Year before moving to London in January to take over from Mr John Cahill as chief executive of BTR, the UK conglomerate.

So Hawker Siddeley, the British engineering group, has ruffled a few Australian feathers by attacking Mr Jackson's record in the course of its defence against a hostile £1.5bn bid hy BTR. Hawker's defence focuses on the performance of BTR Nylex, a quoted subsidiary of BTR, which faces a fall in profits this year after being one of Australia's fastest growing companies in the 1980s.

Mr Jackson ran BTR Nylex for 13 years, during which he transformed it from a small rubber products company with net profits of A$217,000 to a multinational conglomerate with 1989 profits of A$569m.

It was Mr Jackson's success in building BTR Nylex into a profitable conglomerate modelled on the parent company – and in particular his ability to spot good takeover targets – which won him the top joh. His biggest deal, the A$1.6bn hostile takeover of ACI, an Australian glass and huilding products group, is still cited as the best Australian deal of the 1980s.

By the end of the decade, BTR Nylex was the stock market's darling, boasting an increase in market capitalisation of 11,500 per cent in the nine years to 1989, and compound annual dividend growth of 43.4 per cent between 1981 and 1990.

However, Mr Jackson's luck ran out last year, when net profits dipped to A$489m. This year, interim net profits are down by 41 per cent, pre-tax margins by a third and market capitalisation has fallen 18 per cent in six months.

"Having taken full credit for Nylex's growth, Alan Jackson must shoulder responsihility for its profit collapse and the pressure this puts on BTR," the Hawker document says. "Is Alan Jackson the right man to lead Hawker Siddeley throughout the 1990s?" it asks. "His own record suggests not."

Mr Graeme Pearson, chief executive of BTR Nylex, would not discuss Hawker's claims, apparently because of fears of contravening the UK takeover code. But the tone of the document has upset BTR advisers, who describe it as an unfair personal attack on Mr Jackson.

It also surprised the large body of Australian analysts who follow BTR Nylex, most of whom can muster little criticism of Mr Jackson other than to regret his sometimes heated temper. Hero worship aside, has BTR Nylex "run out of steam" as Hawker claims, or is it simply a victim of Australia's severe recession?

Most of the reduction in BTR Nylex's interim profits was accounted for by businesses which are suppliers to the construction and motor industries, among the first to suffer from the slowing economy.

Hawker says BTR Nylex should have taken greater steps to insulate itself from recession hy acquiring counter cyclical husinesses. Analysts say the relatively small size of the Australian economy makes that unrealistic. Nevertheless, it has achieved an element of counter cyclical growth through its packaging division, which achieved a 29 per cent profit increase, partly as a result of the inclusion of Continental PET of the US acquired earlier this year for US$150m.

Analysts also point out that a substantial part of Mr Jackson's 1980s spending spree was directed to international acquisitions as a way of tapping rapid growth in the Pacific Rim and providing some protection from Australia's volatile economy. As a result, the proportion of assets in Australia fell from more than 90 per cent in the mid-1980s to 57 per cent last year.

Profits have also come increasingly from outside the home base, which supplied 62 per cent of earnings before tax and interest last year, compared with 17 per cent from Asia, 13.5 per cent from the US and 3 per cent from Europe.

The effects of this overseas investment were reflected in the geographical distribution of interim profits, which showed that most of the contraction was caused by a 43 per cent decline in Australia. US profits fell 28 per cent, also because of recession, but profits increased by 10 per cent in Europe and 2 per cent in Asia.

Hawker is on safer ground in criticising some of Mr Jackson's Australian acquisitions, particularly the A$700m takeover of the Feltrax carpeting group in 1989 which it found in worse shape than it expected and has struggled to improve.

The A$200m purchase of the vehicle component maker Borg Warner in 1987 has also attracted criticism, but analysts say Borg Warner represented a good opportunity for BTR to acquire world class transmission technology and an Australian monopoly on axle manufacturing.

Tony Andrews

Alan Jackson: built BTR Nylex into a multinational

Borg Warner is exposed to increasing competition from imports as a result of tariff reductions, but the motor industry will retain more protection than many other sectors of Australian industry.

There is no doubt that the short term outlook for BTR Nylex is poor. Most analysts have revised their 1991 net profit forecasts down from around A$530m to between A$330m and A$350m.

However, the medium term outlook is brighter. Mr Richard Tslang, of CS First Boston, says net profits will recover to more than A$400m next year and should accelerate as the effects of cost cutting and economic growth flow through.

Analysts also point out that BTR Nylex has made only three acquisitions since Mr Jackson left – Continental PET, the Australian glass company Smorgon, hought for A$170m, and Rockware, the UK glassmaker, for £200m. As a result, it is conservatively geared, with net interest bearing debt equal to 19 per cent of shareholders' funds.

That will provide plenty of post-recession scope for the big acquisitions in Asia or the US which Mr Jackson was talking about before he left for London.

● BTR Nylex has appointed Mr Frank Davies, chief executive of Rockware to its board. Mr Davies will also be chairman of ACI Europe, which comprises the eight BTR Nylex companies in Europe and will include Rockware.

Big Macarthy holder says no to Grampian

By Andrew Bolger

THE CHANCES of Macarthy, the retailer and drugs manufacturer, remaining independent increased last night when its biggest shareholder, the fund manager John Govett, said it would not accept the hostile bid hy Grampian Holdings, which closes tomorrow.

John Govett, which owns an 18.26 per cent stake in Macarthy, said it would await the outcome of the inquiry by the Monopolies and Mergers Commission into the other offers made for Macarthy by Lloyds Chemists and UniChem. The fund manager originally accepted the Lloyds offer, which lapsed with the referrals.

Lloyds Chemists, which has a 9.9 per cent stake in Macarthy, said it would also reject Grampian's offer and was confident that the MMC would allow its offer to proceed after it reports on January 17.

If cleared and if it did rebid, Llloyds said it was its current expectation that it would offer not less than 306p per share. Grampian pointed ont that this statement was highly qualified and did not commit Lloyds to rebid.

Grampian's shares yesterday rose by 5p to 199p. At that price its all-paper offer values Macarthy shares at 292.5p, compared with last night's close of 268p, down 3p on the day.

In the increasingly acrimonious climax to the hid, Macarthy said it had received legal advice that the approval for Gramplan to create new shares for its bid was insufficient because the required shareholder agreement had not been obtained.

Grampian said it did not agree, but was obtaining opinion of counsel. However, one of hidder's advisers dismissed this latest move as "just another desperate manoeuvre" by Macarthy.

Ferguson Holdings falls to £4.2m as recession hits

By Clare Pearson

FERGUSON International Holdings, the packaging, printing and cable television group, yesterday announced a drop in pre-tax profits from £6.33m to £4.17m during the six months to August.

Mr Denis Cassidy, chairman, said the impact of external economic factors had heen increasingly severe during the second quarter.

Nevertheless, the interim dividend is being maintained at 4.25p. Ferguson said it had taken into account the "confidence nationally that the worst may be over" as well as its own cost reductions and firm control of borrowings.

On current trading, Mr Cassidy said the third quarter was traditionally the key one for profit. There had heen some signs of improvement during September but it was too early to forecast the result for the year.

There were setbacks in the trading profits of all the core operations. In addition, Globe Data Systems, a US printing company, was sold early in the period so there was a fall in the contribution from non-continuing activities to £18,000 (£688,000).

Boosted by the acquisition of Globus, a German self-adhesive labels company, turnover of continuing activities rose to £61.8m (£60.1m). However, that masked a 5 per cent underlying fall.

The two activities hardest-hit during the period were labels, which was affected by lower volumes and increasing competition, and printing and publishing.

Trading profit fell to £1.79m (£2.7m) and £477,000 (£1.07m) respectively.

Interest charges fell to £550,000 (£1.33m). Bank borrowings at the end of August were ahout £10m, after taking account of the initial consideration for Globus, representing gearing of 33 per cent. Earnings per share came through at 8.8p (11.8p).

President of US Macmillan quits

By Raymond Snoddy

Mr Robert Maxwell, the publisher, has lost the services of Mr Harry McQuillen, president of Macmillan Publishing Company, his US book publishing arm.

Mr McQuillen is the surprise choice to become president of the K-111 Magazine Corporation of New York. Earlier this year K-111 Holdings, which is controlled by buy-out specialists Kohlberg Kravis Roberts, bought most of Mr Rupert Murdoch's US magazine interests in a deal worth $650m.

Mr Maxwell, chairman of Maxwell Communication Corporation, said yesterday that Mr McQuillen had relinquished his post by amicable arrangement.

AAH paying £3.5m for refuse collector

AAH Holdings is paying £3.49m in shares to acquire Charlesplant, which operates a portfolio of 23 contracts with local anthorities and others for refuse collection, street cleaning and vehicle and land maintenance.

The consideration is being met hy the issue of 798,133 shares which have been placed in the market.

Net asset value of Charlesplant at completion is expected to be least £2.99m.

AAH has acquired for £500,000 cash the company's in Leicester.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Chillington Cpn ....int	0.5	Jan 21	2	-	2.75
Cooper (Fredk) ....fin	2.5	Feb 3	2.5	4	4
Essex Furniture§ ......fin	1.25	Jan 6	1	2.25	2
Ferguson Intl ....int	4.25	Dec 11	4.25	-	12.5
Jackson Group ....int	1	Nov 29	1	-	3.2
Marks & Spencer ....int	2.1	Jan 24	2	-	6.7
Reed Intl ....int	5.25	Jan 10	5	-	15
Shiloh ....int	0.875	Dec 6	0.875	-	2.625
Usher-Walker ....int	2	Dec 12	1.75*	-	5.5*

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 31.10.91: Pool purchase price £/MWh	Final Prices for Trading on 03.10.91: Pool purchase price £/MWh	Final Prices for Trading on 03.10.91: Pool selling price £/MWh
0030	16.03	15.85	15.86
0100	16.04	15.83	15.83
0130	16.15	15.83	15.83
0200	16.04	15.86	15.86
0230	15.92	15.87	15.87
0300	15.92	15.87	15.87
0330	15.88	15.85	15.85
0400	15.86	15.85	15.85
0430	15.86	15.83	15.85
0500	15.86	15.83	15.83
0530	15.86	15.95	15.86
0600	15.88	15.83	15.83
0630	15.90	15.85	15.93
0700	16.31	16.07	16.07
0730	18.31	18.59	21.86
0800	18.31	25.76	31.46
0830	18.82	37.82	45.84
0900	18.19	46.54	57.44
0930	19.48	50.96	63.28
1000	19.50	51.60	63.96
1030	19.50	48.15	59.44
1100	19.52	44.57	54.80
1130	25.37	43.21	52.98
1200	25.40	42.38	51.78
1230	25.36	37.98	45.87
1300	25.34	27.98	33.90
1330	19.21	22.55	26.65
1400	19.19	20.86	24.06
1430	18.75	19.30	22.43
1500	18.75	19.13	22.22
1530	18.74	18.57	21.65
1600	18.77	20.21	23.77
1630	22.15	23.23	28.00
1700	36.02	32.18	38.10
1730	39.93	31.74	37.43
1800	40.18	28.99	33.75
1830	32.38	22.52	26.65
1900	27.09	34.15	41.20
1930	23.80	35.82	44.17
2000	21.93	39.48	47.90
2030	18.81	32.80	38.72
2100	18.72	23.93	27.99
2130	18.69	21.91	25.15
2200	18.69	17.98	20.74
2230	18.60	17.89	20.45
2300	16.04	17.57	20.32
2330	15.95	16.09	18.09
3400	15.86	15.92	18.92

Prices are determined for every half-hour to each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

MARKS & SPENCER

Highlights from

THE STATEMENT BY THE CHAIRMAN, RICHARD GREENBURY

- Group profit £232m.
- Group profitability maintained after absorbing £15m V.A.T. increase.
- Group operating expenses down.
- Positive Group net interest.
- Dividend per share up 5%.
- Footage expansion continues in U.K. and Europe.

The Marks & Spencer p.l.c. unaudited Group results for the first half of the 1991/92 financial year are announced as follows:

	26 weeks ended 28th Sept 1991	26 weeks ended 29th Sept 1990	Increase/ (Decrease)	Year ended 31st March 1991 (52 weeks)
	£ million	£ million	%	£ million
GROUP TURNOVER (incl. Sales Taxes)	2,893.9	2,877.9	0.6	6,255.3
GROUP TURNOVER (excl. Sales Taxes) (note 2)	2,643.9	2,657.9	(0.5)	5,774.8
GROUP OPERATING PROFIT (notes 4 & 5)	236.5	235.6	0.4	633.5
Net interest receivable	1.4	0.5		13.3
Provision for United Kingdom Employees' Profit Sharing Scheme (note 9)	(5.8)	(5.8)		(15.3)
GROUP PROFIT BEFORE EXCEPTIONAL CHARGE	232.1	230.3	0.8	631.5
Exceptional charge (note 10)	(16.9)			(16.0)
GROUP PROFIT BEFORE TAXATION	215.2	230.3	(6.6)	615.5
Taxation (note 11)	(73.2)	(80.6)		(215.8)
GROUP PROFIT AFTER TAXATION	142.0	149.7	(5.1)	399.7
Profit attributable to minority interests	(0.8)	(0.4)		(2.4)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	141.2	149.3	(5.4)	397.3
Dividends (note 12)	(57.4)	(54.2)	5.9	(182.0)
UNDISTRIBUTED SURPLUS	83.8	95.1	(11.9)	215.3
Earnings per share – pre exceptional	5.6p	5.5p		15.1p
– post exceptional	5.2p	5.5p		14.7p
Dividend per share	2.1p	2.0p		6.7p

NOTES:

1. In the last six months we have restructured the Homeware Section. The Footwear departments have been integrated within their respective Clothing groups whilst Home Furnishings remains a separate entity within General. Toiletries and associated Gifts, Cosmetics and Homecare departments, which are better aligned with Foods, have been incorporated within that Group. All comparative figures have been restated.

2. **Group turnover (excluding VAT and other sales taxes) is as follows:**

	26 weeks ended 28th Sept 1991	26 weeks ended 29th Sept 1990	Increase/ (Decrease)	Year ended 31st March 1991 (52 weeks)
	£ million	£ million	%	£ million
United Kingdom and Republic of Ireland				
General	1,212.3	1,260.7	(3.8)	2,766.0
Foods	1,013.0	1,002.0	1.1	2,181.4
	2,225.3	2,262.7	(1.7)	4,947.4
Overseas Stores (notes 6 & 7)				
Continental Europe				
General	57.1	52.0	9.8	111.7
Foods	15.0	13.9	7.9	37.0
	72.1	65.9	9.4	148.7
North America				
General	160.0	153.2	4.4	313.5
Foods	98.6	95.8	2.9	194.6
	258.6	249.0	3.9	508.1
Far East	10.9	9.2	18.5	20.1
Direct export sales outside the Group	30.0	30.3	(1.0)	59.0
	2,596.9	2,617.1	(0.8)	5,683.3
Financial Activities	47.0	40.8	15.2	91.5
TOTAL GROUP TURNOVER	2,643.9	2,657.9	(0.5)	5,774.8
Total Exports from the United Kingdom	91.6	81.0	13.1	163.6

3. U.K. price inflation was kept below the national average at 4% on General and 2% on Foods. There was 4.5% more selling space (net of closures) than the same period last year, which we estimate contributed 2.2% to sales.

4. Group Operating Profit is after charging depreciation of £59.6m (last year £56.0m) and profit on disposal of fixed assets of £0.5m (last year loss £0.5m). It can be analysed between:

	1991	1990
	£m	£m
Retailing	227.0	231.6
Financial Activities	9.5	4.0
	236.5	235.6

Financial Activities comprise treasury, insurance and financial services.

5. Group Operating Profit arises as follows:

	1991	1991	1990	1990
	£m	£m	£m	£m
The United Kingdom and Republic of Ireland		232.8		226.6
Continental Europe	10.4		9.2	
less pre-opening costs	(4.7)		(1.2)	
		5.7		8.0
North America – U.S.A.		3.1		3.1
– Canada		(5.8)		(2.7)
Far East		0.7		0.6
		236.5		235.6

The pre-opening costs of the store development programme in Europe have been separately identified to enable the underlying trading results to be seen on a consistent basis. It is our policy to expense pre-opening costs as they are incurred. The results of the other areas of the Group are not materially distorted by such costs.
The Far East operating profit is after charging £0.9m for the closure costs of Mongkok store.

6. The results of overseas subsidiaries have been translated using average rates of exchange ruling during the financial period. Comparative turnover and operating profits have been affected by the movement of exchange rates. Expressed in local currency, European sales increased by 12.1% and operating profits before pre-opening costs increased by 14.8%. Turnover and operating profits for North America are shown in local currency in notes 7 and 8 below. Far East turnover increased by 11.9% and operating profits by 9.2% in local currency.

7. The turnover for North America is analysed as follows:

	1991	1990
U.S.A.	US$m	US$m
Brooks Brothers – including Japan	141.3	133.3
Kings Super Markets	139.2	141.2
	280.5	274.5
Canada	C$m	C$m
Marks & Spencer Division	60.1	67.9
Peoples	79.5	84.0
D'Allaird's	38.2	42.2
	177.8	194.1

8. The operating profits for North America are analysed as follows:

	1991	1990
U.S.A.	US$m	US$m
Brooks Brothers – including Japan	2.2	1.5
Kings Super Markets	4.0	5.4
Corporate expenses	(0.8)	(1.1)
	5.4	5.8
Canada	C$m	C$m
Marks & Spencer Division	(10.3)	(7.8)
Peoples	(1.3)	(0.5)
D'Allaird's	1.0	3.8
Corporate expenses	(0.7)	(1.0)
	(11.3)	(5.5)

9. At the end of each financial year the Directors allocate a proportion of the United Kingdom profits to the employees under the terms of the United Kingdom Employees' Profit Sharing Scheme. Provision has been made against the half year profit.

10. £16.0m was provided as an exceptional charge in 1990/91 for the compulsory redundancies arising from the structural review. A further exceptional charge of £16.9m represents the voluntary redundancy and outplacement costs.

11. The taxation charge for the first half of last year has been adjusted to reflect the actual rate of taxation on the year's profit.

12. The Directors have declared an interim dividend of 2.1p per share compared with 2.0p last year, an increase of 5%. This gives an interim dividend of £57.4m (last year £54.2m) which will be paid on 24th January 1992 to shareholders whose names are on the Register of Members at the close of business on 21st November 1991. Shareholders may choose to take this dividend in shares or in cash. Full details will be sent to shareholders in December.

13. The Summary of Results for the year ended 31st March 1991 does not constitute full financial statements within the meaning of S240 of the Companies Act 1985. The full financial statements for that year have been reported on by the Company's auditors and delivered to the Registrar of Companies. The audit report was unqualified and did not contain a statement under either S237(2) or S237(3) of the Companies Act 1985.

St Michael

COMMODITIES AND AGRICULTURE

Vietnam to award oil exploration licences

By Stefan Wagstyl

VIETNAM is expected to announce in the next few weeks the results of one of the international oil industry's eagerly contested battles for exploration licences.

Mr Tran Lum, the minister for heavy industry, told the Financial Times in an interview that the government planned to decide "by late November or early December" which oil companies would be awarded licences in waters off Vietnam's southern coast.

Industry executives regard the area as prime ground because it lies close to Vietnam's only producing field. White Tiger, was discovered by Mobil before the fall of South Vietnam in 1975. Subsequently, it has been developed by Vietsovpetro, a Vietnamese-Soviet joint venture.

In line with Vietnamese policy of opening the economy to the West, Vietsovpetro in January this year surrendered its exploration rights to the government, which then asked international oil companies to bid for 10 blocks.

According to Mr Lum, the contest has drawn expressions of interest from 27 groups including companies from Europe, the US and Japan. Mobil and some other US companies had expressed interest, said Mr Lum, even though Washington's embargo on economic ties with Vietnam would prevent them from signing a contract.

Ten Western companies have been exploring other offshore territories in Vietnam - including Royal Dutch/Shell, British Petroleum, Enterprise Oil of the UK, and Total of France. So far, however, despite braving typhoons and investing some $500m since licences were first awarded in 1988, the companies have yet to find a commercially viable deposit. One Western company executive comments: "The results have been disappointing for all of us."

Blocks now under negotiation are considered a much better proposition because of their location near a producing field. "They're great acreage," says the Western executive.

The contest for the licences has no fixed deadlines and few formal procedures. Instead, the Vietnamese authorities are negotiating separately with different companies in the hope of playing one off against another and so securing the highest prices and the best terms for future production sharing agreements.

This approach has been frustrating oil executives. Mr Lum says that the ministry is taking its time to make sure licences are awarded to experienced groups which are genuinely committed to exploration in Vietnam.

Those companies which have already been operating in Vietnam will be treated with "special regard," he explains. "These companies have already shown their interest in Vietnam's oil and we will treat them as special cases." Mr Lum adds that US companies, with their history of successful explorations, would also be welcomed.

Oil company executives say that they have heard a decision would be made soon. But they caution that delays are common in government deliberations. Moreover, since no bidding rules have been published, last-minute changes are always possible. The government might, according to some reports, hold back territory for US companies until after the embargo is lifted.

Meanwhile, the ministry is also expected to decide soon on a contract for building a $1bn oil refinery. Six consortia have been short-listed and one is to be chosen by the end of November.

Of the six, four are headed by Japanese trading companies – Nissho Iwai, C. Itoh, Tomen and Sumitomo. The other two are led by Shell and Total, but also have Japanese partners. Japanese companies' participation is said to be essential to secure finance.

Nevertheless, even when a winner is chosen, the project may be delayed by a lack of funds. Mr Lum says that low-cost loans were needed from foreign government aid budgets. But such funds cannot be released until Vietnam clears debts owed to the International Monetary Fund. Repayment is blocked by the US embargo.

● Oil output from the British sector of the North Sea has risen to more than 2m barrels a day.

The increase, the fourth rise in consecutive months, promises to underpin a general recovery in UK industry, according to the latest Royal Bank of Scotland Oil Index.

Average oil output for September jumped by 122,000 barrels a day. As a result the Oil Index rose by 6.4 per cent in September to stand at 122.4, which, except for March, is the highest figure for 18 months.

Lihir gold prospects brighten

By Kenneth Gooding, Mining Correspondent

DEVELOPMENT OF the Lihir Island project in Papua New Guinea, the largest known gold deposit in the world outside of South Africa, might begin as early as next year following substantial changes to the mining engineering plan.

The changes would reduce the capital cost of the project from the $1.1bn estimated in a 1990 study to $697m. The revised plan would also considerably boost cash flow from the mine in the early years but gold output would be considerably reduced in later years.

The 1990 study envisaged annual production of 250,000 troy ounces of gold in the mine's early years, rising to 810,000 ounces a year later.

The new plan projects annual output of 592,000 ounces for the first five years and 349,000 ounces over the life of the mine.

RTZ, which owns an 80 per cent share of Lihir through its Kennecott subsidiary, has been under pressure from Papua New Guinea to hasten a decision on the much-delayed project. RTZ said that the 1990 study predicted an "unacceptable" rate of return on investment.

Papua New Guinea is anxious to see Lihir started because its finances have been badly affected by the closure of the Bougainville copper mine, one of the world's biggest, which was shut down two years ago because of a violent uprising by secessionists.

In July the government extended RTZ's prospecting licence for only nine months instead of the usual two years. It also insisted that RTZ deliver a development proposal by March 1992.

Niugini Mining, which discovered the Lihir deposit and owns the other 20 per cent, said yesterday that the joint venturers were hopeful that a feasibility study would be delivered to the government in March. This would show "Lihir to be sufficiently attractive to make a positive development decision. This would lead to negotiations (with the government) for a Special Mining Lease in late 1992 and potentially start of construction by year-end."

Niugini, a subsidiary of Battle Mountain Gold of the US, said the new plan called for Lihir to be mined at a rate of 2.8m tonnes a year compared with the previously proposed 4.8m tonnes. However, the design would not preclude expansion at a later date.

The cut-off grade in the new study – the level at which waste becomes ore - had been lifted from 2 grams a tonne to 2.2 grams which gave the project mineable reserves of 99m tonnes at an average grade of 4.3 grams a tonne and a life of 36 years.

Drilling on the Lihir deposit had continued and by mid-September reserves had increased to 264m tonnes with 26.5m ounces of contained gold when a cut-off grade of 1.5 grams a tonne was used. A cut-off grade of 2.5 grams gave a recoverable resource of 16.4m ounces of gold.

Metallurgical test work had shown that the difficult, or refractory, ore at Lihir could be successfully treated by autoclaves, which in crude terms are huge pressure cookers which roast and oxidise the ore.

An Aussie boost for New Zealand wool

Terry Hall on the short-term relief for South Island's growers of crossbred fleece

A sharp and unexpected rise in Australian fine wool prices in the past fortnight gave a much needed boost to confidence for New Zealand sheep farmers who have been having one of the worst seasons in decades.

Prices in Australia have jumped by up to 35 per cent in the past fortnight. The New Zealand market indicator has edged ahead by 4.5 per cent to 416 cents a kilogram – still below the seasonal peak of 420 cents in September.

The problem for New Zealand farmers is that the bulk of their clip is crossbred and in carpets. This indicator has eased in recent sales from 361 cents a kilo on October 23 to 358 cents on October 24, although it fell as low as 343 centson October 17.

Dullish prices for crossbred wools are a blow: at the start of the new season in July, it had been expected that prices would show a gradual improvement from 1990-91 which was described by the New Zealand Wool Board as the worst for 20 years.

The lift in Australian prices is of real value to the hard-pressed South Island high-country farmers who produce the bulk of New Zealand's supplies of fine wool and had seen their returns crumble in September and early October in line with Australian prices. At the time crossbred returns had held up reasonably well. Now they are have been left well behind.

The sharp rise in fine wool prices appears to have been sparked by temporary shortages in supply brought about fulfilment of Chinese contracts and increased Japanese demand. While the 4m-bale Australian stockpile will continue to depress prices, several exporters believe that prices will remain at their present firm levels for the rest of the season.

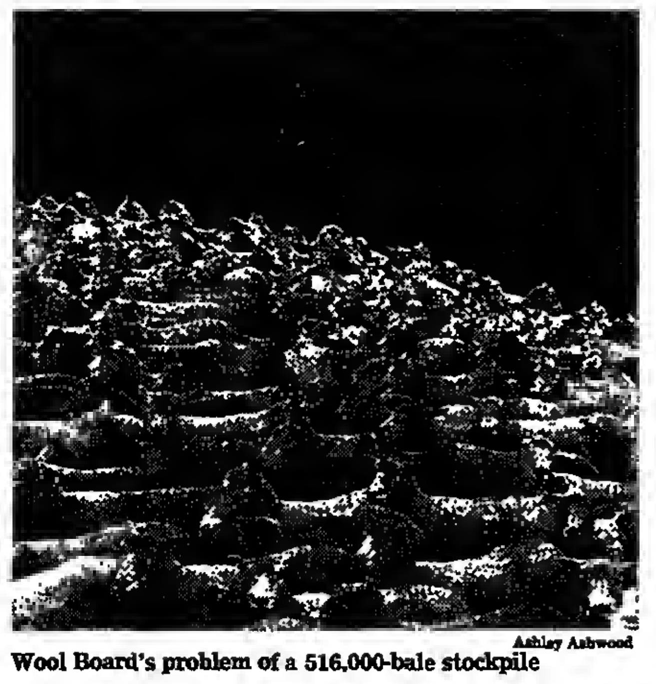
Mr Bill Carter of the Council for Wool Exporters said that there was also some evidence of the international fashion trade shifting from cotton to wool for the new season. This seemed to be confirmed by the fall in cotton prices and the sharp recovery in fine wool demand, he added. However, it was too early to make predictions, Mr Carter emphasised.

The brighter fashion outlook seems unlikely to flow into crossbred wools. The Soviet Union, one of the biggest outlets, has virtually stopped buying because of a foreign exchange crisis. Stronger European demand for crossbred wool is not expected until an economic recovery leads to renewed construction.

Nevertheless, crossbred producers see optimism from promising trade developments including the opening of a high technology factory in south China which will use New Zealand carpet wools to supply homes for the increasingly well-off middle class. The Chinese also use the wool for handknitting.

In Iran a New Zealand ministerial delegation succeeded in lifting a ban on wool imports from certain New Zealand companies in exchange for tariff levels on handmade Iranian carpets.

New Zealand farmers will continue to watch closely developments in the Australian market, with concern over disposal problems of its 4m bale stockpile following years of overproduction.



Ashley Ashwood

Wool Board's problem of a 516,000-bale stockpile

Unlike New Zealand, which produces a wide range of wools, some of which are only available for short periods and for which there is always some demand, the Australian industry concentrates on fine wools which reach a peak supply in September to November.

In the past the Australian support system meant that these wools were steadily fed on to the market and did not disrupt other markets such as New Zealand's. The recent jump in prices at a time when heavy supplies are coming on the market, is seen as a positive development.

During September the market indicator for all sales fell from the 420 cents a kilo level to 384 cents on October 17, but jumped to 416 cents at the last sale on October 24. Currency movements, with the strengthening of the US against the NZ dollar during the period influenced prices.

The Soviet Union has used up the credits it arranged with the ANZ Banking Group in April. This enabled them to buy 7,800 tonnes in the last two months of the season after they agreed to pay US$10m owed to the bank, and guarantees were made that allowed the issuing to some exporters of NZ$40m in new contracts. The Soviet Union bought NZ$42m of wool in 1990-91.

It is rumoured that the Soviet Union still owes around NZ$15m for wool shipped 18 months ago. The ensuing turmoil in the Soviet Union since the coup has dashed hopes that further sales would follow April's resumption of the trade. Mr Pat Morrison, chairman of the Wool Board, says that the Soviet Union wants more New Zealand wool and would like more credit to buy if it could get it.

Mr Alexander Kovalev, Soviet trade commissioner to New Zealand,says that Moscow is well aware of the debt problem. He is confident that the reforms in the Soviet Union would see the issue resolved this year.

The Wool Board's stockpile of 516,000 bales remains a problem. Mr Morrison has reassured the market that this will be sold in an orderly way without causing disruptions. The aim is to sell all stocks over the next three years, or by December 1994 – with 150,000 bales disposed of this season.

Mr Morrison said that the actual rate of stock reduction will be affected by demand and the level of prices: a flexible approach will be followed. Emphasis will be on not depressing prices for the new season's wool and to sell out of season types.

Fish Lake strongly promoted

By Bernard Simon in Toronto

A SMALL Vancouver-based exploration company is hoping to persuade the international mining community that a copper and gold deposit at Fish Lake, British Columbia, has the makings of one of North America's biggest mines.

Mr Robert Hunter, chairman of Taseko Mines, says that several leading mining groups – including RTZ, Phelps Dodge, Homestake, Noranda and Minorco - are showing an interest in buying and developing the Fish Lake property, 140 miles north of Vancouver.

Taseko said earlier this week that drilling at Fish Lake has confirmed an initial reserve of 600m tonnes at an average grade of 0.86 per cent copper equivalent. The metal content of the ore body is estimated at more than 10m ounces of gold and 4bn of copper.

Drilling is expected to resume within the next fortnight, but Taseko is now looking for a bigger company to buy and develop the property. Early studies point to a mine with an annual output of 270,000 oz of gold and 125m lbs of copper over 30 years. According to Mr Hunter, the project would cost about C$400m (US$355.8m).

Taseko is 45 per cent owned by its senior managers, including Mr Hunter and his partner Mr Robert Dickenson. They made their names last year by selling another junior mining company, Continental Gold, to Placer Dome of Vancouver for C$180m. Continental's main asset was a 70 per cent interest in the Mt Milligan copper property, also in British Columbia.

Fish Lake was for many years the subject of a dispute between Taseko and the lead and zinc producer Cominco. Under an agreement reached earlier this year, Cominco will receive between C$20m and C$48m if Taseko can find a buyer by 1994. If not, control will revert to Cominco.

Outsiders have mixed feelings about Fish Lake.

Mr John Lydall, analyst at First Marathon Securities in Toronto, said: "There's no question they've got a big chunk of mineralisation. Whether it can be made into a mine is an open question." With copper prices high, Mr Lydall noted, "it's easy to make properties look better than they were in the past."

An official at Noranda said that the company finds the deposit "interesting", but has not put it at the top of its acquisition priorities.

Investors however, have flocked to Taseko. Its shares, which are listed on the Vancouver stock exchange, have soared in less than a year from under a dollar to C$7.50.

One Vancouver analyst predicts the price will rise to C$10.

Mr Hunter insists that a bidder will need to come up with at least C$25 for each of Taseko's 8.8m shares.

Mixed views on outlook for aluminium

THE CONTRAST between the short-term outlook and long-term prospects for aluminium was highlighted yesterday by two of the industry's senior managers, writes Kenneth Gooding.

Aluminium's near-term outlook was bleak, suggested Mr Alan Born, chairman of Amax, third-largest US aluminium producer. He said the flood of metal from the former Soviet Union into western markets might continue for some time and this would probably depress aluminium prices for another year.

Mr Jacques Bougie, president of Alcan Aluminium of Canada, second-largest North American producer, said that demand for primary aluminium would grow by nearly 30 per cent by the year 2000, from about 14.4m tonnes to 18.4m.

He estimated that by the end of the decade 8m tonnes of aluminium would be used by the motor industry compared with 5m in 1990. In that time the aluminium content of the average car might triple from 160 lbs to 500 lbs."

Mr Born of Amax said that the present Soviet aluminium export rate - running at an annual 800,000 tonnes - could not last for ever because some of the metal was being taken from stock.

Amax had no plans to reduce output because it was still making money from primary-aluminium production.

WORLD COMMODITIES PRICES

MARKET REPORT

The aluminium market was keeping the $1,180-a-tonne level for three-month metal under pressure on the LME yesterday. Traders said that although a copper-inspired rally took three-month metal up to $1,188 in early trading there remained a lack of consumer interest to underpin any rise. News that a round-up of major Asian and Australasian producers had revealed no plans to curb output, coupled with third largest US producer Alumax confirming it would not cut, all helped to depress market sentiment. Copper prices also closed down after profit taking emerged in the afternoon. Concern over the worsening situation in Zaire, hesitancy while the labour dispute at Canada's Highland Valley remains unresolved, and the possibility of tension in Zambia were supportive fundamental factors, however. Gold on the London bullion market advanced by just over $1 a troy ounce, underpinned by the softer dollar. But dealers said there was little incentive to test resistance at $360. In Chicago wheat prices were lower at midday on lack of news about US credit for the Soviet Union. Traders hope the US will grant credit and spark greater wheat sales; this optimism is keeping many from going short.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$18.50-8.60z	+0.10
Brent Blend (dated)	$21.95-2.00	+.175
Brent Blend (Dec)	$21.85-1.90	+0.15
W.T.I. (1 pm est)	$23.30-3.35z	+0.15
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$240-242	+2
Gas Oil	$217-215	+2
Heavy Fuel Oil	$86-87	+1
Naphtha	$215-218	+1.8
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$359.45	+1.05
Silver (per troy oz)♣	411.25c	+1.25
Platinum (per troy oz)	$362.4	+4.15
Palladium (per troy oz)	$88.50	+1.25
Copper (US Producer)	112.23c	+1.23
Lead (US Producer)	37.8c	
Tin (Kuala Lumpur market)	14.83r	-0.01
Tin (New York)	257.0c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	104.18p	+0.08*
Sheep (dead weight)†	109.35p	-2.10*
Pigs (live weight)†	75.53p	+0.91*
London daily sugar (raw)	$232.5j	+0.8
London daily sugar (white)	$266.5j	+1.5
Tate and Lyle export price	£243	-2
Barley (English feed)	£117	
Maize (US No. 3 yellow)	£141	
Wheat (US Dark Northern)	£101	
Rubber (Dec)♥	52.75p	-0.5
Rubber (Jan)♥	52.50p	-0.5
Rubber (KL RSS No 1 Nov)	225.5m	-0.5
Coconut oil (Philippines)§	$585y	
Palm Oil (Malaysian)§	$352.5u	-2.5
Copra (Philippines)§	$382.5z	
Soyabeans (US)	£152.0	
Cotton "A" index	66.10c	-0.60
Wooltops (64s Super)	392p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Jan t-Sep/Dec u-Nov x-Nov/Dec y-Dec/Jan z-Dec j-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High	Low
Dec	201.00	200.00	200.00	
Mar	197.80	195.20	197.50	195.20
May	196.80	194.40	193.80	190.00
Oct	200.00		194.20	
White	**Close**	**Previous**	**High**	**Low**
Dec	288.0	286.0	288.0	285.5
Mar	285.0	283.5	285.0	283.0
May	284.5	283.0	283.0	282.4
Aug	285.5	283.8	284.9	
Oct	280.5	280.0	280.8	259.7

Turnover: Raw 397 (855) lots of 50 tonnes. White 1806 (966) Paris- White (FFr per tonne): Dec 1639.35, Mar 1634.92

CRUDE OIL – IPE $/barrel

	Close	Previous	High	Low
Dec	21.83	21.72	21.92	21.64
Jan	21.62	21.52	21.70	21.49
Feb	21.41	21.30	21.46	21.35
Jun	20.55	20.50	20.55	20.50
IPE Index	21.70	21.67	21.70	

Turnover 12000 (18056)

GAS OIL – IPE $/tonne

	Close	Previous	High	Low
Nov	215.75	218.25	218.00	214.25
Dec	218.25	216.75	219.00	218.00
Jan	216.00	214.25	216.25	214.25
Feb	207.75	206.50	208.00	206.50
Mar	199.50	180.70	200.00	198.25
Apr	192.50	161.50	192.50	192.00
May	186.00	180.00	186.00	
Jun	131.25	180.25	151.25	

Turnover 10000 (13227) lots of 100 tonnes

WOOL

The sharp surge in Australian fine wool prices in the first half of last week has been followed by an equally surprising setback. The Australian Wool Corporation's market indicator rose by 100 cents in just over a week only to fall back 86 cents by the middle of this week. After this it is scarcely wise to forcast, but there is hope in the trade that more settled market is now emerging. An advance of about 12% over a period of just over two weeks represents a turn for the better after a steady decline in the first three months of the season.

COCOA – London FOX £/tonne

	Close	Previous	High	Low
Dec	738	728	739	708
Mar	783	768	785	701
May	804	794	807	777
Jul	828	810	828	802
Sep	849	843	851	827
Dec	870	869	858	853
Mar	899	890	883	879
May	916	905	899	885
Jul	931	922	910	
Sep	950	939	940	

Turnover: 15695 (7807) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Oct. 29 923.27 (934.82) 10 day average for Oct. 30 938.38 (940.04)

COFFEE – London FOX £/tonne

	Close	Previous	High	Low
Nov	530	525	528	521
Jan	547	546	547	542
Mar	565	557	557	553

Turnover: 6482 (3734) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Oct. 29: Comp. daily 63.73 (63.47) 15 day average 63.44 (63.28)

POTATOES – London FOX £/tonne

	Close	Previous	High	Low
Nov	85.5	87.0	85.5	
Apr	127.8	126.4	127.9	125.6

Turnover 80 (177) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High	Low
Dec	131.50	132.00	131.50	
Jun	129.00	130.50	129.00	
Aug	129.50	128.80	129.50	
Oct	134.50		134.50	

Turnover 55 (123) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High	Low
Nov	1689	1689	1695	1676
Jan	1715	1710	1715	1705
Apr	1709	1710	1707	1705
BFI	1650	1651		

Turnover 323 (322)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High	Low
Nov	117.65	118.15	118.00	117.65
Jan	121.45	121.80	121.55	121.40
Mar	124.50	124.85	124.50	124.45
May	127.30	127.65	127.40	127.25
Barley	**Close**	**Previous**	**High**	**Low**
Nov	113.70	113.80	113.65	
Jan	117.40	120.48	117.35	

Turnover: Wheat 246 (186), Barley 45 (6). Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High	Low
Nov	100.0	99.5	99.5	
Jan	98.0	97.0	97.5	

Turnover:20 (35) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	134.75	134.53			
Dec	139.00	137.70	139.00		10

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 20,988 lots
Cash	1150-1	1152-3	1149	1148-9		
3 months	1179-80	1181-2	1186/1176	1178.5-9	1177-8	131,459 lots
Copper, Grade A (£ per tonne)						Total daily turnover 28,344 lots
Cash	1377-8	1384-4.5	1383/1378	1381.5-2		
3 months	1367.5-8.0	1371-81	1378/1368	1371-2	1363-4	103,979 lots
Lead (£ per tonne)						Total daily turnover 1,937 lots
Cash	299.5-300	299.5-300		299.5-300.5		
3 months	311.5-12	311.25-1.5	313/311	311.5-1.75	311-1.5	12,214 lots
Nickel ($ per tonne)						Total daily turnover 3,603 lots
Cash	7370-80	7475-500	7370	7410-20		
3 months	7420-25	7500-25	7480/7420	7450-5	7410-15	17,260
Tin ($ per tonne)						Total daily turnover 1,334 lots
Cash	5520-27	5532-3	5530/5525	5520-5		
3 months	5590-95	5590-600	5600/5585	5590-600	5595-600	5,277
Zinc, Special High Grade ($ per tonne)						Total daily turnover 6,103 lots
Cash	993.5-4.5	994-5	997/998.8	997-7.5		
3 months	1013-4	1013-4	1017/1012	1016-6.5	1014-15	28,041

LME Closing £/$ rate: SPOT: 1.7425 3 months: 1.72510 6 months: 1.7054 9 months: 1.6678

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	359.20-359.70	
Opening	359.30-359.60	
Morning fix	359.50	208.157
Afternoon fix	359.35	207.398
Day's high	360.00-360.30	
Day's low	359.00-359.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	4.75	6 months	4.59
2 months	4.70	12 months	4.50
3 months	4.68		

Silver fix	p/fine oz	US cts equiv
Spot	237.15	411.25
3 months	243.40	416.75
6 months	249.25	422.05
12 months	261.50	433.90

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	359.25-359.75	207.50-208.00
Maple leaf	369.50-370.50	213.25-213.70
New Sovereign	87.50-88.50	50.50-51.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1050	113	152	3	10
1150	43	61	25	38
1250	9	36	91	90
Copper (Grade A)	**Calls**		**Puts**	
2250	130	122	0	46
2350	58	70	37	94
2450	19	38	96	158
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
500	32	60	5	6
550	2	31	24	28
600	5	14	59	59
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
725	28	51	14	23
750	16	65	27	32
775	0	52	45	44
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
2200	18	42	37	76
2250	9	25		
2300		12		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High	Low
Nov	359.0	359.8	0	0
Dec	360.5	361.1	361.8	360.3
Feb	363.2	363.9	364.6	363.7
Apr	365.5	366.4	367.1	365.8
Jun	368.4	369.0	368.5	368.5
Aug	371.2	371.8	0	0
Oct	373.0	374.6	0	0
Dec	370.9	377.8	378.0	378.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High	Low
Nov	363.0	0	0	0
Jan	365.2	364.8	366.5	364.8
Apr	368.6	368.2	370.0	368.5
Jul	372.2	371.8	0	0
Oct	379.0	378.5	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High	Low
Nov	409.4	408.8	0	0
Dec	411.3	411.8	413.0	410.0
Jan	413.1	413.3	0	0
Mar	417.6	417.8	420.0	416.5
May	421.7	421.9	0	0
Jul	425.6	425.8	0	0
Sep	430.0	430.2	0	0
Dec	436.5	436.7	436.5	435.0
Jan	439.0	439.2	0	0
Mar	443.5	443.7	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High	Low
Nov	108.00	108.40	108.05	107.55
Dec	107.95	107.60	795.20	107.45
Jan	106.70	106.55	106.40	106.35
Feb	105.95	105.85	105.70	105.70
Mar	105.15	105.15	105.30	104.80
Apr	104.55	104.60	0	0
May	103.95	104.10	103.85	103.50
Jun	103.60	103.80	0	0
Jul	103.05	103.25	103.00	102.90
Aug	102.65	102.90	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High	Low
Dec	23.27	23.11	23.38	23.23
Jan	23.06	22.98	23.15	23.03
Feb	22.81	22.70	22.90	22.80
Mar	22.58	22.44	22.62	22.58
May	22.10	21.96	22.13	22.10
Jun	21.92	21.77	21.92	21.50
Jul	21.12	21.61	21.75	21.70
Sep	21.47	21.37	21.47	21.47

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High	Low
Nov	6862	6843	6900	6855
Dec	6970	6937	7000	6955
Jan	6980	6954	7015	6980
Feb	6830	6807	6850	6820
Mar	6490	6457	6520	6490
Aug	5890	5852	5900	5900

COCOA 10 tonnes;$/tonnes

	Close	Previous	High	Low
Dec	1186	1162	1208	1148
Mar	1247	1226	1262	1206
May	1282	1262	1296	1244
Jul	1311	1291	1321	1278
Sep	1339	1321	1326	1305
Dec	1378	1366	1351	1343
Mar	1410	1386	1388	1363
May	1433	1411	0	0
Jul	1453	1436	0	0
Sep	1478	1457	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High	Low
Dec	82.30	82.60	83.50	81.70
Mar	86.15	86.60	87.40	85.80
May	88.75	89.25	89.95	88.65
Jul	91.50	91.86	92.50	91.50
Sep	94.50	94.65	95.25	94.50
Dec	96.75	97.05	0	0
Mar	100.75	101.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High	Low
Mar	9.00	8.95	9.02	8.91
May	8.89	8.82	8.91	8.81
Jul	8.85	8.78	8.86	8.78
Oct	8.85	8.75	8.86	8.78
Mar	8.72	8.68	8.89	8.69

COTTON 50,000; cents/lbs

	Close	Previous	High	Low
Dec	61.07	63.52	62.00	61.04
Mar	62.62	64.30	63.65	62.60
May	63.12	63.96	64.10	63.09
Jul	63.81	64.16	64.60	63.80
Oct	63.97	65.41	64.30	64.05

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High	Low
Nov	168.60	160.40	169.25	163.00
Jan	169.60	166.70	170.70	165.55
Mar	169.60	165.65	170.55	165.45
May	169.45	165.45	170.45	166.00
Jul	168.20	164.30	169.20	164.50
Sep	167.20	163.10	164.00	164.00
Nov	157.25	153.90	154.00	154.00
Jan	156.85	152.45	154.25	153.50
Mar	156.85	152.45	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct.30	Oct 29	mnth ago	yr ago
1654.4	1658.3	1612.9	1724.3

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct.29	Oct 28	mnth ago	yr ago
Spot	113.91	113.66	117.94	125.35
Futures	123.77	123.43	124.70	128.38

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High	Low
Nov	552/4	556/6	560/4	552/0
Jan	563/6	567/2	571/0	563/2
Mar	572/6	577/4	580/0	572/4
May	581/2	585/2	588/4	580/4
Jul	589/6	593/4	596/4	589/0
Aug	601/0	594/0	596/4	591/0
Sep	584/0	586/0	589/0	584/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High	Low
Dec	19.23	19.53	19.65	19.21
Jan	19.42	10.69	19.80	19.36
Mar	19.75	19.98	20.12	19.72
May	20.03	20.25	20.37	20.03
Jul	20.34	20.62	20.67	20.31
Aug	20.48	20.65	20.75	20.48
Sep	20.62	20.78	20.86	20.60
Oct	20.62	20.72	20.90	20.60

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High	Low
Dec	183.3	183.7	184.5	182.2
Jan	181.1	182.1	182.8	180.3
Mar	179.5	180.9	181.7	179.1
May	177.3	178.9	179.5	177.1
Jul	177.2	179.2	180.0	177.2
Aug	176.6	179.0	180.0	176.5
Sep	177.2	179.2	179.3	177.2
Oct	186.7	186.0	188.0	186.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High	Low
Dec	251/2	253/2	253/4	251/0
Mar	260/0	262/4	262/6	259/6
May	265/6	268/6	268/6	265/4
Jul	269/6	272/4	272/6	269/4
Sep	259/4	262/2	262/4	259/4
Dec	255/2	258/2	258/0	255/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High	Low
Dec	358/4	362/2	364/0	357/0
Mar	358/2	360/6	362/4	356/0
May	340/6	341/0	342/6	339/0
Jul	325/2	324/4	326/4	322/4
Sep	329/0	330/0	332/0	329/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High	Low
Dec	74.35	73.85	74.40	74.07
Feb	74.52	74.40	74.85	74.30
Apr	74.57	74.78	75.20	74.55
Jun	71.80	71.82	72.12	71.47
Aug	70.02	70.12	70.40	70.02
Oct	70.70	70.80	70.80	70.70

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High	Low
Dec	41.65	41.70	41.82	41.50
Feb	42.07	42.47	42.56	41.50
Apr	40.27	40.80	40.60	40.20
Jun	45.40	46.05	45.97	45.25
Jul	45.55	46.05	46.00	45.40
Aug	44.40	44.70	44.70	44.20
Oct	40.85	41.15	41.22	40.85

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High	Low
Feb	42.15	42.60	42.88	42.02
Mar	42.07	42.47	42.70	41.95
May	43.47	43.75	43.75	43.60
Jul	44.07	44.40	44.10	43.40
Aug	41.90	42.05	42.40	41.90

LONDON STOCK EXCHANGE

Company reports boost confidence

By Terry Byland, UK Stock Market Editor

OPTIMISTIC views in the City of London on the British economy were supported yesterday by favourable trading reports from several leading companies. Helped also by some improvement in the government's opinion poll ratings, the stock market resumed its advance as it waited for tonight's important speech by Mr Norman Lamont, UK chancellor of the exchequer. Share prices moved ahead strongly after traders spotted signs that a large UK unit trust had bought heavily across the range of the blue chip stocks.

At best, the FT-SE index was nearly 27 points up before slipping off the top when Wall Street made a slow start to the new session. The final reading put the FT-SE index at 2,577.1 for a net gain of 23.8.

Account Dealing Dates

*First Dealings:		
Oct 14	Oct 28	Nov 11
Option Declarations:		
Oct 24	Nov 7	Nov 21
Last Dealings:		
Oct 25	Nov 8	Nov 22
Account Day:		
Nov 4	Nov 18	Dec 2

*New-time dealings may take place from 8.30 am two business days earlier.

Lower interim profits from both Reed International and Marks & Spencer had been foreseen and were forgiven by a stock market more attentive to boardroom comments on current trading.

Marks & Spencer's reference to "encouraging sales uplift in October" rekindled hopes for a consumer-led economic revival, and was supported by Reed's comment on "early, if fragile, indications of a recovery" in the UK consumer sector.

Both shares stood out among the best performers of a session featuring widespread gains in equities. Traders reported increased institutional activity, with US buyers active in drug stocks.

Although Seaq-reported volume slipped to 515.4m, there were signs that the proportion of business from outside retail or customer sources had increased. Stock Exchange statistics disclosed that Seaq volume of 563.7m shares on Tuesday incorporated £1bn worth of customer activity.

The market hopes to hear further confidence expressed on the UK economy by the chancellor of the exchequer, whose speech at London's Mansion House will be made well after market hours tonight. However, strategists discounted hints, prompted yesterday by firmness in London money market rates, that a further cut in UK base rates might be contemplated.

Another important market event takes place today when ICI, the blue chip chemical group, will announce profits for the third quarter and, no doubt, comment on the near term outlook. The shares rose strongly in healthy turnover yesterday.

A few important sectors of the market were left behind in the general advance. Oil stocks, upset by recent criticism by London securities houses of debt levels and profits prospects, continued to hang back. There was little support for British Aerospace as the market took heed of the weight of rights issue stock now known to have been firmly stuffed into the underwriters' portfolios. UK bank stocks had a mixed session.

Analysts at the big securities firms continued to assess the implications of the latest survey of business opinion by the Confederation of British Industry, which has encouraged economic optimism this week.

At UBS Phillips & Drew, Mr Kevin Darlington suggested that the survey offered "a mixed message," with a heavy overhang of manufacturers' stocks threatening to limit the pace of economic recovery. At Shearson Lehman Brothers, Ms Carolyn Moses believes that investor patience will be tested for several more months "until the real economy shows clear signs of upturn".

Reed interim pleases

REED International staged its sharpest one-day rise for four years as analysts responded to better interim results than expected with a rash of buy recommendations.

The company revealed profits 21 per cent lower at £85m. Most analysts nevertheless raised their estimates for the whole year to the £225m to £230m range.

Mr John Kenny at BZW said the books division had performed particularly well in the wake of last year's restructuring. Ms Chris Munro at Hoare Govett said the figures had improved the image of the company's management in the City: "Most of Reed's acquisitions have been an outstanding success." One analyst sounded a note of caution, arguing that Reed's stock market rating now left little room for error.

The shares had weakened in recent days on fears that analysts might have to cut forecasts after the results. Relief that this did not come about helped the shares power ahead 33 to 504p, their highest level since the stock market crash of 1987. An above average 1.6m shares changed hands.

Some other publishing stocks rose in sympathy. Emap firmed 7 to 266p, United Newspapers advanced 11 to 399p and News International built on recent strength with a further improvement of 9 to 271p.

Marks strong

The stores sector was pushed higher by Marks and Spencer, which beat analysts' predictions with its interim figures. Sentiment was also helped by the positive tone of the accompanying statement.

Profits slipped 7 per cent to £215m but the shares forged ahead 16 to 291p, their best single day's rise for more than a year. Turnover was a strong 7.1m shares.

Mr Nick Hawkins at Kleinwort Benson said the figures were just above the top of the range of analysts' forecasts. He reiterated his £660m profits estimate for the full year and a bold/buy recommendation.

Mr Mark Finnie at Hoare Govett moved up from £645m to £665m, saying the figures had "reconfirmed M and S's quality image in the market". Another analyst suggested that investors buy to the £3 level, which would be a record high for the stock.

Other retail shares advanced too. Kingfisher rose 8 to 555p, Burton added 2¼ at 48¼p and Body Shop improved 10 to 306p, its highest for nearly two years.

SmithKline bought

The cash pouring into Glaxo shares for the last few days spilled over into the rest of the pharmaceutical sector yesterday.

The market was rife with talk of switching from Glaxo, principally into SmithKline Beecham, which revealed encouraging figures on Tuesday. The Seaq ticker showed an early purchase of 250,000 SmithKline equity units at £37 each. The equity units are largely traded in the US for tax reasons and typically only 100,000 change hands each day in London. That trade was at a big premium to the overnight price of 3460p. By yesterday's close the price was 3643p.

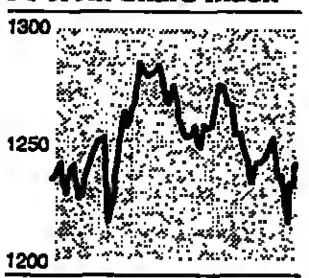
SmithKline's "A" shares, a Footsie constituent theoretically worth one-fifth of an equity unit, jumped 44 to 807p in heavy turnover. Traders said UK institutions were the main buyers, in contrast to the US domination of drug sector business earlier in the week.

As Glaxo slipped 5 to 782p, other gainers included Wellcome, which rose 15 to a near two-year high of 770p in hectic trading. Fisons moved ahead 18 to 462p, while ICI, ahead of third-quarter results due today, climbed 27 to 1287p. Sentiment in the whole international sector was boosted by sterling's strength against the dollar.

Oils weaken

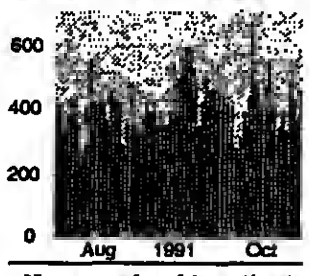
The oil majors failed to benefit from the market strength as investors focused on a profits forecast downgrading on BP by Nomura Research ahead of the oil company's third-quarter results, expected on November 7. BP eased 3 to 392p on high turnover of 7.2m.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



Nomura reduced its estimate for reported net income, the figure that includes the effects of changing oil prices, by nearly £300m to £790m for the full year. The house argues that each quarter had seen a drop in underlying profitability and the present earnings multiple is far too high.

There were also market jitters ahead of a meeting today between BP and analysts which concerns BP's plans to cut routine cover for many risks above $10m (£5.8m), in contrast to its previous policy of insuring up to $500m. The plans mean that BP will spend $100m less on insurance in 1992 than has previously been the case.

The meeting is likely to be hosted by the company's head of insurance. A BP spokesman confirmed last night: "There is a meeting with a group of about 25 analysts to give them some background to the rationale and strategy for insurance decisions."

The pessimism rolled over into Shell, which lost 2 to 512p.

A sweeping and financially pessimistic note from securities house S.G. Warburg knocked an already weak bank sector yesterday. The house lowered its estimates for the 1992 profits of the principal commercial banks. It was said to have done so because of worries about the deteriorating quality of consumer credit.

The main targets were Lloyds, Barclays, NatWest and Midland. NatWest lost a penny to 324p and Midland dipped 3 to 237p, but Barclays, which has been sold heavily as a result of recent downgradings, picked up 10 to 425p. Lloyds, also oversold and the most popular of the big four, improved 8 to 491p.

Commercial Union was one of the bright spots in the insurance sector, appreciating 12 to 476p as the market felt that it had been uncharitable following general fears over mortgage indemnity payouts.

Legal & General recovered 9 to 370p as a number of observers reassessed the strength of Legal's life assurance arm. However, at least one specialist believed that the full extent of the company's mortgage indemnity liability was not fully appreciated and nervousness would continue for some time.

There was a flurry of interest in property group Frogmore Estates. The shares were 16 better at one point as bid talk was stirred by the sale of Southend Properties' 10 per cent stake in the company to Regalian Properties.

The speculation soon subsided, however, and Frogmore settled at 340p, which is 10 below the price paid by Regalian but 11 above the overnight value. Turnover was 8.2m shares. Regalian closed unchanged at 68p and Southend firmed 2 to 89p. In June this year a hostile bid by Southend for Frogmore failed.

Finlay Packaging jumped 18 to 45p, matching the value of Jefferson Smurfit's agreed bid.

Eurocopy slipped 5 to 92p as the Monopolies and Mergers Commission said that "the monopoly existing in favour of Rank Xerox in the supply of photocopiers does not . . . operate against the public interest". Monopolies over photocopying supplies received a similar assessment.

Glynwed International gave up 9 to 226p after a profits downgrading from S.G. Warburg. The broker is now reported to be expecting current year profits of around £25m.

GKN fell 8 to 340p after a sharp profits forecast cut from Strauss Turnbull. Strauss cut current year expectations by £13m to £72m and the following year's figure by £35m to £75m.

Mr Zafer Khan at Strauss said GKN faced a tough period in which UK and the US automotive recovery would be offset by a downturn in the company's German automotive business, a market where volumes are forecast to fall by 5 per cent next year. The broker advised investors to switch out of GKN and into Lucas Industries, 3 better at 139p.

An analysts' visit to APV earlier this week benefited the shares by 3 to 132p. British Aerospace remained friendless with the shares off a penny at 362p.

The regional electricity companies (Recs) benefited from positive comment and generally outperformed against the Footsie. Securities house Smith New Court published a hefty analysis of the Recs at the beginning of the week.

Tesco, the food supermarket retailer, added 6 at 236p, with interest focused on Morgan Stanley's placing of 10.6m shares late in the previous session. At a price of 220p the shares were reported to have been eagerly taken up. Morgan was said to have bought the shares at 217p.

MARKET REPORTERS:
Daniel Green, Peter John, Joel Kibazo, Jim McCallum.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 22.

Page 22.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (75).
BRITISH FUNDS (6) Tr. 3pc 1992, Fd. 6pc 1993, Tr. 2pc IL 1992, Tr. 2pc IL 1994, Tr. 2½pc IL 2001, Tr. 2½pc IL 2003, AMERICANS (2) Amdahl, Dial, BANKS (1) Standard Chartered, BREWERS (4) Fuller, Guinness, Do. 5¾pc Prf., Do. 8¾pc Prf., BUILDINGS (2) Manders, Polypipe, CHEMICALS (1) Bayer, STORES (6) Brown (N), Coats Viyella, Coles Myer, Fine Art Devs., Great Universal, Lloyds Chemists 7½p Prf., Next, Stirling, ELECTRICALS (5) Druck, Life Sciences, Prestwick, Telefonica, Volex, ENGINEERING (1) Johnson & Firth, FOODS (2) Brake Bros., Cranswick Mill, INDUSTRIALS (16) Beepak, Betterware Consumer Prods., CRT, Dart, De La Rue, Glaxo, Great Southern, Halma, Pacific Dunlop, Ricardo, Ross, Sinclair (Wm.), Sketchley, Spandex, Wassall, Wellcome, INSURANCE (2) American Gen., Irish Life, LEISURE (2) Carlton Comms. 6.5p Prf., GWR, NEWSPAPERS (4) EMAP, News Corp., News Intl., Reed Intl., TEXTILES (3) Claremont Garments, Hicking Pentecost, Ingham, TRANSPORT (2) London & O'seas. Frtrs., Tibbett & Britten, TRUSTS (11) Baillie Gifford Japan, Brit. Assets 8pc Cv. 1995, ECU Trust, Edinburgh Fund Mgrs., Grahams Rintoul, I & S Optimum Zero Div., Ivory & Sime, St. David's, Templeton Emg. Mkts., Do. 1pc Ln., Templeton Galbraith, OILS (2) Burmah 8½pc Ln. 1991-96, Pittencrieff, MINES (1) Rand Mine Props.
NEW LOWS (30).
AMERICANS (1) Allegheny & West., BUILDINGS (1) Conder, ELECTRICALS (2) Burnfield, Radius, Standard Platform, ENGINEERING (1) ASW, FOODS (3) Albert Fisher, Ashley, Kemp (PE), INDUSTRIALS (4) Baris, Hadleigh Inds., Sterling Inds., Tams (John), INSURANCE (2) Alexander & Alexander, Royal Insce., LEISURE (2) TVS Entertainment, Thames TV, NEWSPAPERS (1) Gardner (DC), PROPERTY (2) Anglo St. James, Safeland, SOUTH AFRICANS (1) OK Bazaars, TRUSTS (7) Hafnia, JF Asia Select, JF Indonesia Fd., Jakarta Fund, Murray Split Capital Cap., Topdanmark, Turkey, OILS (1) Sceptre Resources, MINES (1) Western & Pacific Res.

FINANCIAL TIMES STOCK INDICES

	Oct 30	Oct 29	Oct 28	Oct 25	Oct 24	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	86.56	86.87	86.50	86.40	86.38	80.24	87.94 (16/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.74	96.84	96.40	96.33	96.21	86.86	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1978.7	1954.0	1961.3	1929.3	1936.5	1592.9	2108.3 (2/9)	1608.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	165.5	169.8	169.8	172.6	173.4	171.6	222.0 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2577.1	2553.3	2558.5	2514.7	2528.3	2050.3	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1161.91	1156.40	1153.80	1143.21	1146.36	990.04	1198.60 (3/9)	938.82 (16/1)	1198.60 (3/9/91)	938.82 (16/1/91)
●Ord. Div. Yield	4.86	4.91	4.91	4.78	4.76	5.01				
●Earning Yld %(full)	7.52	7.61	7.59	7.57	7.57	12.52				
●P/E Ratio(net)(c)	16.68	16.60	16.53	16.60	16.80	9.68				
SEAQ Bargains 4.45pm	25,339	26,373	24,860	20,982	25,909	20,566				
Equity Turnover(£m)†	-	1004.01	714.55	1011.23	1085.89	809.56				
Equity Bargains†	-	23,612	23,290	26,659	25,680	18,168				
Shares Traded (ml)†	-	457.9	374.6	434.3	484.7	412.7				

[illegible]

Ordinary Share Index, Hourly changes — Day's High 1983.2 — Day's Low 1959.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1959.9	1961.5	1962.1	1968.8	1973.9	1981.2	1981.9	1978.5	1977.8

FT-SE 100, Hourly changes — Day's High 2580.1 — Day's Low 2555.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2561.4	2560.3	2557.4	2561.3	2568.4	2578.6	2578.7	2576.7	2578.4

FT-SE Eurotrack 200, Hourly changes — Day's High 1163.87 — Day's Low 1157.76

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1157.95	1156.00	1159.67	1160.22	1161.73	1162.88	1162.28

GILT EDGED ACTIVITY

Indices*	Oct 29	Oct 28
Gilt Edged Bargains	141.8	109.0
5 - Day average	107.6	91.9

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]				[illegible]				[illegible]				[illegible]			
British Gas	3,700	260	-½	Hillsdown	1,800	200	-2	Rentokil	124	382	+1	Unigate	48	317	
British Land	120	300	+2	[illegible]	499	242	+4	Reuters	420	940	+6	Unilever	578	807	+2
BP	7,700	332	-3	ICI	1,500	1287	+27	Rolls Royce	3,900	138	+2	United Biscuits	788	384	+4
British Steel	4,000	120		Inchcape	515	398	+5	Rothmans	128	1128	+5	Utd. Newspapers	1,000	399	+11
British Telecom	2,500	388½	+2½	Kingfisher	2,500	555	+8	Ryl Bk Scotland	2,300	183		Vodafone	1,500	365	-1
Bunzl	2,400	97	+1	Ladbroke	4,700	298		Royal Insurance	2,400	298	-2	Wellcome	2,100	770	+15
Burmah Castrol	1,500	587	+2	Land Securities	435	503		Saatchi	1,500	13¾	+¼	Welsh Water	1,500	367	+8
Burton	9,800	48¼	+2½	Laporte	105	583	+11	Sainsbury	4,900	394	+3	Wessex Water	106	395	+3
Cable & Wire.	890	570	+5	Legal & General	2,400	370	+9	Scottish & New.	671	393	+2	Whitbread 'A'	106	457	
Cadbury	854	411	+2	Lloyds Abbey	94	385		Scot. Hydro-Elect.	805	112	+2	Williams Hldgs.	1,800	338	-1
Caler Group	532	245	+5	Lloyds Bank	1,000	491	+8	Scottish Power	4,200	109½	+2	Willis Corroon	168	208	+2
Carlton Comms.	850	514	+4	LASMO	787	325	+4	Sears	5,300	103	+2	Wimpey	547	163	+2
Coats Viyella	1,300	193	+4	London Elect.	394	259	+4	Sedgwick	138	245	+6	Yorkshire Elect.	283	280	+8
Comm. Union	1,000	476	+12	Lonrho	697	246	-2	Seeboard	187	203	+4	Yorkshire Water	576	374	+8

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

THE LIFFE yesterday saw good institutional buying for the first time in recent sessions, writes Joel Kibazo.

The December Footsie future contract opened strongly at a premium of 30 to cash. It came off the top in mid-morning and traded around its estimated fair value premium of 26 above the index. Local traders pushed the December Footsie future higher in mid-session. James Capel was said to have carried out the biggest trade of the day when it crossed some 1,500 contracts.

December closed at around 2610 up 10 on the previous session, and around 7 points above fair value. Turnover was around 8,000 contracts.

Traded options saw a big increase on recent volumes. Turnover reached 39,521 lots, almost double recent levels.

The Euro FTSE Index was the day's busiest trade with more than 8,300 contracts dealt. A large part of the business was one trade in 3,750 of the September 2625 puts on calls that were crossed.

Scottish Power was the next busiest option, with a day's total of 5,004 lots. Asda, Sears, British Airways and BAA were also busy.

Ultramar, subject of a bid from Lasmo, was busy with a 1,212 contracts changing hands.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

[illegible]

BRITISH FUNDS—Contd

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

Public Board and Ind.

[illegible]

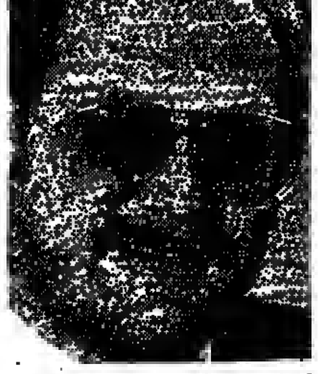
FOREIGN BONDS & RAILS

[illegible]

Continued on next page

APPOINTMENTS

Stakis' new occupant



STAKIS, the hotels and nursing homes group which lost £45m (including £44m of write-offs) in the six months to March 31, is appointing David Michels as chief executive. Michels, 44, is currently deputy chairman and managing director of Hilton UK and an executive vice-president of Hilton International, subsidiaries of Ladbroke Group.

In June, Andros Stakis, son of the Glasgow-based company's founder Sir Reo Stakis, resigned as chief executive. Sir Lewis Robertson, the well known company doctor who replaced Sir Reo as chairman in March, said then that the company would sell off its public houses and casinos and disengage from property development in order to concentrate on its hotels, including the Country Court chain, and nursing homes. The Scottish pubs have already been sold, he said yesterday, the pubs in England will follow shortly; but the sale of the casinos would take longer.

Michels says that "some people in the hotel business regard Stakis as a small four-star hotel group which should have done better." He wants to make it "a fine name again." He has "hundreds of thoughts about Stakis which I'm not going to reveal. I operate in a hands-on way – I want to feel the business before I make decisions about it." His main aim was to increase Stakis's profit level.

Michels acknowledges that he would be a bigger fish in a smaller pond; but he points out that he took a "step down" in terms of company size when he joined Ladbroke Hotels in 1981 as sales and marketing director from Grand Metropolitan Hotels, where he was also sales and marketing director.

Michels, who is married with two children, will not be moving his family to Scotland but will be working five days a week in Glasgow. "This way I will get started quicker," he says.

Meanwhile, Ladbroke says that it is not seeking to replace Michels yet; he had only been managing director of Hilton UK since April and responsibility for the UK hotels business will be shared between Michael Finkleman, currently assistant md, and Barry Maiden, the finance director.

Tube quality

Alan Osborne has been appointed the first director of safety and quality at LONDON UNDERGROUND. The creation of the senior level post reflects the organisation's concern for safety and is one of the recommendations contained in the underground's company plan for the next ten years, due to be published in late November.

Osborne, 33, has a degree in occupational health and safety engineering and worked at Duracell, Burmah Oil, Bayer and BOC before joining London Underground in 1988 as chief safety inspector. He was promoted to head of safety services in 1989 and co-ordinated the introduction of a safety management system within the organisation.

Ali I Naimi, president and ceo of Saudi Aramco and Karl Otto Pöhl, former president of the Deutsche Bundesbank, have joined J P MORGAN's International Council, which includes people in business and public life from 13 countries who meet periodically to advise the bank on international issues.

■ Alois Steinbichler has been promoted to general manager and chief executive of CREDITANSTALT-BANKVEREIN's London branch, and Christopher Cooke becomes his deputy.

■ David Jude has been appointed a director of Cater Allen, the discount house, to promote its retail deposit services. He took early retirement from NatWest where he was head of financial institutions marketing.

■ Lawrence Prager has moved to Nikko Europe in London as executive director from Nikko Securities in Tokyo.

■ Mark Smith is moving to become director of marketing at Rea Brothers Investment Management from marketing director of Kleinwort Benson Private Bank.

■ John Toyne remains a non-executive director of TIBBETT & BRITTEN having resigned as an executive. He has not been appointed to the board as was reported on October 28.

LEGAL NOTICES

[illegible]

CLUBS

[illegible]

PERSONAL

[illegible]

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Share Code Booklet ring 071-925-2128

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

هكذا من الأصل

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LEISURE – Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY – Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS – Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

[illegible]

FINANCE, LAND, ETC – Contd

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

MINES – Contd

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

Young Group 10p.. β	111	......		5.2	1.8	6.2

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ‡ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ## Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.. β	635	......
Finlay Pkg. 5p.... α	45	+18
Holt (Jos) 25p.... β	1985	......

IRISH

Cap. 8½% Ln 2010...	£95¼	......
9pc Cap Ln. 1996..	£98½	......
Fin. 13% 97/02 ..	£114	......
Arnotts..........	190	......
Heiton Hldgs...... γ	34	-2
IRG..........	125½	......
United Drug......	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	50
Amstrad	6
Astec (BSR)	3
BAT	53
BOC Grp	48
BTR	33
Barclays	34
Blue Circle	28
Boots	33
Bowaters	55
Brit Aerospace	35
British Steel	10
Brit. Telecom	33
Cadburys	35
Charter Cons	42
Comm Union	40
Courtaulds	38
Eurotunnel	50
FKI	5
FNFC	10
Forte	21
Gen Accident	43
GEC	16
Glaxo	110
Grand Met	67
Guardian	14
GKN	28
Hanson	17
Hawker Sidd	55
ICI	95
Ladbroke	21
Legal & Gen	33
Lex Service	16
Lloyds Bank	30
Lucas Inds	12
Marks & Spencer	21
Midland Bk	28
Nat West Bk	26
P & O Dfd	41
Racal Elect	6
RHM	25
Rank Org Ord	55
Ratners	12
Reed Intnl	35
Sears	8½
SmKl. Beecham A	53
TI	39
TSB	11
Tesco	21
Thorn EMI	65
T&N	14
Unilever	68
Vickers	14
Wellcome	60

Property

Brit Land	27
Control Secs	2
Land Securities	41
MEPC	42
Mountleigh	4

Oils

Ariva Petlm	3
Brit Petroleum	26
Burmah Castrol	47
Conroy Petlm	8
Gaelic Res	1
Premier	4
Shell	40
Tuskar Res	1
Ultramar	28

Mines

Lonrho	20
RTZ	46

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AUTHORISED UNIT TRUSTS

Lloyds Bk Unit Tst Mgrs Ltd (1000)F
PO Box 63, Chatham, Kent ME4 4YB
Dealing 0634 834313

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced	5	277.60	277.60	292.30	-0.20	3.72
Do (Accum)	5	574.40	574.40	604.70	-0.40	3.73
Cont Europe Grth	5	41.29	41.29	43.47	-0.04	1.64
Do (Accum)	5	42.52	42.52	44.76	-0.06	1.64
Energy Intl	6	57.94	57.94	61.64	-0.56	0.76
Do (Accum)	6	69.54	69.54	73.98	-0.66	0.16
Extra Income	5	214.10	217.60	229.10	-0.48	5.28
Do (Accum)	5	486.30	494.10	520.70	-0.90	5.28
German Growth	5	86.60	86.65xd	91.22	+0.45	0.57
Do (Accum)	5	96.32	96.32	96.08	+0.46	0.57
Income	5	393.20	399.90xd	421.00	-0.50	4.90
Do (Accum)	5	958.70	974.70	1026.0	-1.00	4.96
Intl Technology	5	192.90	192.90	203.10	-2.10	0.15
Do (Accum)	5	205.70	205.70	216.65	-2.30	0.15
Japan Growth	5	86.87	86.87	92.42	-1.30	0.01
Do (Accum)	6	87.17	87.17	92.74	-1.30	0.01
Master Trust	5	44.92	44.92	47.27	+0.05	3.50
Do (Accum)	5	47.81	47.81	50.31	+0.03	3.30
N American & Gen	6	145.50	145.50	154.80	-1.60	0.80
Do (Accum)	5	167.30	167.30	170.00	-1.90	0.80
N Am Sm Cos & Rec	5	98.61	100.10xd	105.40	+1.10	0.01
Do (Accum)	5	100.70	102.20	107.60	+1.10	0.01
Pacific Basin	6	159.90	159.90	170.20	-2.30	0.17
Do (Accum)	6	167.30	167.30	178.20	-2.60	0.17
Small Cos & Recy	5	258.60	258.60xd	272.30	-0.10	2.49
Do (Accum)	5	325.30	325.30	342.50		2.49
UK Equity Grth	6	110.80	110.80	117.90	+0.10	3.65
UK Equity Inc	5	92.83	92.83xd	96.76	-0.04	5.40
UK Growth	5	73.72	75.35	79.32	+1.74	3.22
Do (Accum)	5	82.55	84.37	88.82	+1.94	3.22
Worldwide Grth	5	225.00	225.00	236.96	-2.28	1.15
Do (Accum)	5	328.20	328.20	345.50	-3.30	1.15

London & Manchester Tst Mgmt (1000)H
Winslade Park, Exeter EX5 1DS 0392 282673

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	6	43.96	44.16	47.38	-0.56	1.3
General	6	66.44	66.93	71.82	+0.01	5.9
Income	6	51.67	52.70xd	56.54	-0.06	6.4
International	6	43.79	44.23	47.46	-0.34	1.6
Japan	6	41.00	42.28	45.37	-0.50	0.0
Tst of Inv Trusts	6	42.83	43.66xd	46.85		2.6

M & G Securities (0915)H
Three Quays, Tower Hill, EC3R 6BQ.
Cust Services 071-626 4588 Unit Dealing 0245 266266

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer & General	5	287.43	287.5	304.0	-3.4	0.76
(Accum Units)	5	352.51	352.6	372.8	-4.2	0.76
Amer Recovery	5	273.66	273.7xd	289.4	-3.6	0.39
(Accum Units)	5	311.76	311.0	329.7	-4.1	0.59
Amer Smllr Cos	5	80.20	80.70	86.30	-1.5	-
(Accum Units)	5	81.94	82.50	88.20	-1.3	-
Australasian	5	112.03	112.1	118.5	-0.8	1.47
(Accum Units)	5	131.73	131.8	139.3	-1.0	1.47
Capital	5	514.89	514.9	544.5	-2.3	4.32
(Accum Units)	5	543.57	543.6	574.8	-2.4	4.32
Charifund	1	540.12	550.4	556.0	-1.2	6.68
(Accum Units)	1	1995.1	2033.1	2053.7	-4.5	6.60
Commodity	5	246.17	246.2	260.4	-1.6	2.00
(Accum Units)	5	351.88	351.9	372.2	-2.3	2.08
Compound Growth	5	661.78	661.0	699.9	+0.2	4.25
Dividend (20-1)	5	28.85	29.20	31.00	-0.1	5.98
(Accum Units) (20-1)	5	104.03	105.6	112.0	-0.3	5.90
Equity Income	5	241.95	248.7	263.6	-0.2	6.49
(Accum Units)	5	264.84	272.3	288.6	-0.2	6.49
European	5	313.59	316.4	334.6	+0.3	1.5
(Accum Units)	5	386.82	390.2	412.7	+0.3	1.5
European Dividend	5	48.36	48.50	51.60		5.47
(Accum Units)	5	51.87	52.00	55.30	-0.1	5.47
Extra Yield	5	317.63	319.7xd	342.1	-0.2	6.41
(Accum Units)	5	858.21	863.8	924.3	-0.6	6.41
Far Eastern	5	187.59	190.4	201.3	-2.9	1.15
(Accum Units)	5	242.73	246.4	260.5	-3.7	1.15
Fund of Inv Tsts	5	404.45	415.6	437.4	-0.9	2.76
(Accum Units)	5	706.46	722.5	764.1	-1.5	2.76
General (20-1)	5	46.62	46.70	49.40	-0.2	4.9
(Accum Units) (20-1)	5	115.34	115.4	122.1	-0.4	4.9

Midland Personal Pension Unit Trust *

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
British	6	73.37	74.42	79.17	+0.45	2.88
European Growth	6	62.88	62.94	66.96	-0.16	1.02
Gilt & Fixed	6	63.00	63.00	60.85	+0.20	9.40
Income	6	62.71	63.94	66.02	+0.1	4.79
Japan Growth	6	40.60	40.81	43.41	-0.74	0.00
Managed	6	55.96	57.30	60.96	+0.54	1.80
Money Market	6	69.59	69.59	71.76	-0.05	10.16
North American	6	60.80	61.42	60.34	-1.08	1.53

Midland FSAVCS Unit Trust *

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
British	6	66.96	67.90	72.23	+0.40	2.88
European Growth	6	59.42	99.47	63.27	-0.16	1.02
Gilt & Fixed Int	6	60.02	60.82	63.69	+0.19	9.46
Income	6	61.75	62.96	66.98	+0.11	4.76
Japan Growth	6	40.61	40.88	43.41	-0.72	-
Managed	6	53.54	54.82	58.32	+0.52	1.81
Money Market	6	65.38	65.38	69.30	+0.01	10.04
North American	6	57.43	58.45	62.18	-0.93	1.54

Midland Executive Pension Unit Trust *

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
British	6	68.04	69.01	73.41	+0.42	2.89
European Growth	6	58.35	58.40	62.13	-0.15	1.02
Gilt & Fixed Inc	6	57.87	57.87	61.41	+0.18	9.46
Income	6	62.08	63.30	67.34	+0.11	4.80
Japan Growth	6	41.42	41.63	44.29	-0.73	-
Managed	6	57.09	58.46	62.19	+0.56	1.81
Money Market	6	63.58	63.58	67.39	+0.01	10.06
North American	6	62.09	62.68	66.68	-1.07	1.94

* On a switch, units will be issued at bid price.

For MIM Britannia see INVESCO MIM

Morgan Grenfell Unit Tst Mgrs Ltd (1000)H
20 Finsbury Circus, London EC2M 1UT
Dealers: 071-826 0826 Enquiries: 071-826 0123

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Grth	5¼	168.0	168.0	179.5	-2.6	0.79
European Gth Inc	5¼	197.2	197.2	210.1	+0.4	0.00
European Gth Acc	5¼	197.2	197.2	210.1	+0.4	0.00
Intl Grth	5¼	146.2	146.2	155.4	-1.2	0.00
UK Equity Inc	5¼	114.9	114.9xd	123.4	+0.1	4.37
UK Equity Acc	5¼	133.3	133.3xd	143.1	+0.1	4.37
UK Ind Tracker Inc	5	123.3	123.3	131.7	+0.1	3.72
UK 100 Tracker Acc	5	134.1	134.1	143.2	+0.1	3.73
US Eq Ind Tracker Inc	5	143.9	145.9xd	154.5	-1.7	2.92
US Eq Ind Tracker Acc	5	149.5	149.5xd	160.3	-1.7	2.92
Japan Tracker	5	60.56	60.56	69.53	-0.98	0.00
Asian Trader	5¼	79.83	79.83xd	85.63	-0.87	1.83
Managed Inc	5¼	101.4	101.4	100.0	-0.5	1.91
Managed Acc	5¼	103.0	103.0	110.0	-0.5	1.92
Cash Inc	0	100.45	100.45xd	100.45	+0.02	10.46
Cash Acc	0	111.67	111.67xd	111.67	+0.02	10.46
Europa	5¼	103.9	105.9	111.2	-0.2	0.00

For Geoffrey Morley see Commercial Union

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The maximum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Cash	1	51.50	51.50	52.01	+0.01	10.5
Capital Preference	5½	48.43	48.75	52.00	+0.15	9.22
Ethical	5½	49.34	50.42xd	53.64	-0.06	4.75
European Growth	3½	47.18	97.18	50.32	+0.14	3.1
Income	5½	47.06	47.60	50.77	+0.04	7.40
Intl Growth	5½	64.22	64.72	69.03	-0.51	3.93
Managed	5½	58.64	59.34	63.30	-0.26	4.44
UK Growth	5½	51.44	52.10	55.57	-0.06	5.53

Standard Chartered Equitor (1200)F
69 Old Broad Street, EC2M 1QS 071-280 6521

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd Exempt Acc	3	197.2	199.6	201.9	+0.3	2.96
Do Income	3	188.2	190.5	198.4	+0.3	2.96

Standard Life Tst Mngmt Ltd (0629)H
3 George St, Edinburgh EH2 2XZ 0800 393777

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Acc	5½	36.04	36.04	38.30	....	2.37
UK Equity Gth Acc	5½	97.89	48.79	51.04	-0.2	2.52
UK Eq High Inc Inc	5½	32.74	33.44xd	35.54	-0.1	5.56
UK Eq High Inc Acc	5½	36.81	37.60	39.96	-0.1	5.56
UK Equity Gen Acc	5½	46.24	47.00	49.94	-0.1	3.31
UK Equity Gen Inc	5½	36.18	36.78xd	39.00	-0.1	3.31
UK Larger Co Acc F	7½	300.2	304.3	330.2	-0.7	4.55
UK Larger Co Inc F	7½	741.7	245.0xd	265.9	-0.6	4.55
Gilt & Fxd Int Inc	5½	27.45	27.52xd	29.11	+0.2	7.85
O'seas Lng Cm Acc E	7½	217.4	221.5	240.4	-0.2	2.15
Nth American Acc	5½	35.01	35.20	37.41	-0.2	0.69
Far East Acc	5½	42.48	43.55	46.28	....	0.25
European Acc	5½	33.19	54.88	37.06	+0.1	1.73

Stewart Ivory Unit Tst Mngrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5	295.3	295.3	315.1	-3.4	1.32
(Accum Units) ♥	5	345.5	345.5	368.6	-4.0	1.32
British	5	805.3	815.3	862.5	-0.5	5.56
(Accum Units)	5	1323.1	1339.5	1417.0	-0.9	5.56
European	5	314.0	314.0xd	334.4	-1.2	1.55
(Accum Units)	5	340.3	340.3	362.4	-1.5	1.55
Japan	5	118.1	118.1	125.5	-1.9	-
(Accum Units)	5	119.0	119.8	126.5	-1.9	-
New Pacific	5	167.8	167.8	178.4	-3.0	1.94
(Accum Units)	5	172.3	172.3	183.2	-3.0	1.94
PEP Oct 24	3	143.1	145.8	153.4	-0.3	3.67
Mngd Equity	5	122.9	124.7	132.0	+0.2	3.49
Mngd Equity Acc	5	130.3	132.3	140.0	+0.2	3.49
Mngd Cash	5	95.95	95.95xd	98.82	....	10.19
(Accum Units)	3	116.8	116.0	119.4		10.19
Mngd Fxd Int Acc Inq M	5	122.3	128.3	124.3	+0.9	6.78
Majority Stlg	1	100.00	100.00xd	100.99	+0.02	10.86
Majority Stlg Acc	1	106.99	106.90	107.95	+0.02	10.86

Stordbrand Intl Inv Mngrs Ltd (1200)F

Funds in Court*

	Bid Price	Offer Price	+ or -	Yield Gross
Capital Oct 17	505.40	509.21xd	....	2.77
Gross Oct 17	187.26	188.77		10.33
High Yield Oct 17	294.97	297.34	....	7.40

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Mngd	52.00	54.02xd	+0.30	3.64

INVESCO MIM Management Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Mngd P'Folio	1206.0	1300.0		
Mngd Pens (Acc)	70.2	74.8	....	-

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Property Sept 5	£2,440.0	2,680.0	+5.00	6.00
Inc Gth Prp Apr 16	£1,350.0	1,400.0	....	7.20

Lazard Investors Ltd ‡‡
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Oct 31	£3960.5	4130.1	-5.00	3.96
European Oct 31	£540.5	546.1	-0.60	2.08
American Oct 31	£356.7	360.5	-4.00	2.25
Japan Oct 31	£524.1	530	-6.00	1.23
Pacific Oct 31	£138.1	141.9	-1.00	1.95
M Midlands Sep 30	£147.60	164.90		2.48

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 071-588 1015

	Bid Price	Offer Price	+ or -	Yield Gross
Property Sep 30	193.05	196.90	....	7.01
Equity Sep 30	093.70	906.20	....	3.96

* Available only to Local Authorities

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Charibond Oct 28	104.25		+0.4	10.34
(Accum Units)	599.01		+2.4	10.34
NAACIF Oct 22	43.02		+0.2	9.28

Morgan Grenfell Unit Trust Managers Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity † Oct 29	126.5	135.9		3.77
UK Small Co † Oct 29	544.7	905.6	....	3.57
Fixed Interest † Oct 29	112.2	118.1		8.45
US Small Co Oct 29	164.1	175.4		0.00
Managed Oct 29	108.1	115.7		3.41
Intl Bond Oct 29	118.0	124.5		10.30
Japan Oct 29	78.30	03.67		0.35
European Oct 29	86.54	92.66		2.00
Nth American Oct 29	111.1	120.2	....	1.32

Murray Johnstone UT Mngmt

Allied Dunbar Assurance Plc

Century Life Plc

Eagle Star Life Assurance Co Ltd

Guardian Royal Exchange

Legal & General—Contd.

Manulife Group—Contd.

INSURANCES

Abbey Life Assurance Co Ltd

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	107.7	113.4	...	-
Pension Managed Fd	106.3	111.9	...	-
Life Deposit Fd	110.3	116.1	...	-
Pension Deposit Fd	116.0	122.9	...	-

For National Fin see Target Life

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422
Harvester Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	167.9	176.8	-0.6	-
UK Equity	177.0	186.4	-2.2	-
Overseas Equity	134.7	141.8	-0.1	-
Fixed Interest	154.6	162.8	+1.4	-
Property	133.1	140.2	+0.4	-
Index Linked	152.1	160.2	+0.5	-
Deposit	163.2	171.0	-0.3	-
With Profits (B)	133.5	140.6	+0.3	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc.	228.6	241.2	-0.8	-
UK Fixed Int Acc.	186.4	196.7	+0.1	-
Intl Equities Acc.	175.2	184.9	-1.4	-
UK Managed Acc.	175.9	185.5	+0.1	-
Property Acc.	226.3	238.8	...	-
Money Acc.	133.8	140.3	...	-
Special Market Acc.	150.6	158.9	-1.3	-
Japan Equity Acc.	106.4	112.3	-1.5	-
North American Acc.	103.9	109.7	-1.3	-
Pacific Acc.	94.9	100.2	-1.0	-
Technology Acc.	123.9	130.8	+0.3	-
Natl Resources Acc.	57.0	60.2	-0.5	-
European Acc.	100.5	106.1	-0.3	-

Royal Heritage Life Assurance Ltd – Contd.

Royal Life Insurance Ltd

Skandia Life Assurance Co Ltd – Contd.

Target Life Assurance Co Ltd – Contd.

Finexco International Ltd

Independent Financial Group PLC

Lazard Fund Mngrs (Channel Islands) Ltd

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

	Bid Price	Offer Price	+ or -	Yield Gross
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$17.59	18.47	+0.27	1 05
Japan Tech	$62.95	66.10	+0.35	–
Japan Fund	$26 30	27 62	+0.05	0 11
Japan New Gen'n Fd	$20.28	21.30	+0 07	–
Malay Sing	$52.40	55.02	-0.18	0.31
Nth American	$21.85	22.95	+0 48	0.58
Octopus Fund	$21.27	22.34	+0.22	0.88
Pacific Fd	$63.79	66.98	+0.44	–
International Bond	$17.45	18.33	+0.11	6.89
Europa Fund	$13.17	13.81	+0 11	–
British Screen Fd	£0.93	0 98		–
Tristar Warrant	$10.49	11.02	+0.10	–
Hong Kong	$50.27	52.79	+0 61	3.04
Mngd Portfolio (Stlg)	£4 18	4.51	+0 03	–
Mngd Portfolio (Dllr)	$10.21	10.78	+0.15	–
Currency Fd-Sterling	£19.57			–
Currency Fd-US Dollar	$25 40		+0.01	–
Curr Fd-Deutschemark	DM40 68		+0 02	–
Curr Fd-Managed $	$45 00	47.27	+0 32	–

Federated International Funds Plc

	Bid Price	Offer Price	+ or -	Yield Gross
Federated Short-term US Gov't Securities Fund				
Institutional Ser Series°	$1.00		.....	5.33
Investment Series°	$1.00		.....	5 33

° Annualised Yield

ISLE OF MAN (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Allied Dunbar Intl Fund Mgrs (1600)F						
Lord Street, Douglas, IoM 0624 661551						
ADI Managed(z)	5	0.5891	0.5891	0.6273		1 31

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 606000						
Intl Circuit Portfolio	6	[illegible]	1 0090	1.0700	[illegible]	1.64
Gilt	3	[illegible]	0 9373	[illegible]	[illegible]	10 35

For MIM see INVESCO MIM

Royal Trust Jsy Fd Mngt Ltd (1400)F

PO Box 428, St Helier, Jersey 0534 76077

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Govt Secs Fd	4	56 61	56 61	58 94	-0.14	9 50

TSB Trust Funds (CI)

PO Box 538, St Helier, Jersey 0534 73494

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	102 08	102.08	105 14	-0 01	10 00
Gilt & Fixed Interest	3	104 96	104 96	108 04	+0.21	7 00
Blue Chip & Gilt Eqpd	5	50.23	50 23	53.51	-0 13	3 74
International Bond	5	109 46	109 46	116 00	-0 33	5 52
UK Equity	5	138.88	138 88	149.80	+0 74	0 92
International Equity	5	116 82	116.82	124 69	-2.19	0 00
Far Eastern	5	93.35	95 35	99 85	-1 45	0 00
European	5	84 58	84 58	89.56	-0 97	0 00
Pan American	5	146.39	146.39	155 61	-2.36	0 00
TSB Gilt Fund Ltd						
Quarterly Share	3	97.56	97 56	100 82	+0.35	10 22
Monthly Share	3	91 20	91.20	100.42	+0.34	10.26

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Barclays Intl Funds				
Currency Funds				
Sterling		£21 27		9.6
US Dollar		$31 39	-0.01	

LUXEMBOURG (SIB RECOGNISED)

Hill Samuel Inv Services Intl SA (u)

Marktgasse 63/65, 3001 Berne, Switzerland 224051

Banque Ferrier Lullin (Lux) SA

Banque Paribas Luxembourg

CB Fund International (u)

CM Investment Serial Funds

Top Brand Fund Intl-SICAV (u)

Transworld Bond Trust

US Pacific Stock Fund (u)

Unibank SA, Frontrunner I (u)

GT Management Plc—Contd.

Nomura Warrant Fund 1990 Ltd

North Star Fund Managers (Cayman) Ltd

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

LUXEMBOURG (REGULATED)(**)

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

US rate talk weakens dollar

THE DOLLAR fell yesterday to a four week low against the D-Mark on reoewed speculation that the US interest rates will soon be cut to boost the *flagging American economy*.

Speculation grew that the Federal Reserve was signalling a ¼ point reduction in the key Federal Funds rate after it initially refrained from reserve operations.

The US money markets had expected the Federal Reserve to drain liquidity and its initial decision not to soak up some of the excess cash in the banking system caused Federal Funds to slip to 5⅛ per cent from 5¼ per cent.

Later, it added reserves by buying Treasury hills and this further depressed the Federal Funds rate. But this move was believed to be technical and merely related to the market's day-to-day liquidity needs.

With the Federal Reserve previously targetting the Federal funds rate at 5¼ per cent, its willingness to let the rate slide towards 5 per cent prompted some economists to conclude that the Federal Reserve was signalling an easing in rates.

But not all market watchers were so confident that the Federal Reserve had eased and said much of the weakness in rates had been caused hy technical factors. In any case, they said the Federal Reserve would wait until important economic data are released tomorrow before moving on rates.

The dollar had hegun the *session on the defensive after* the sharp slide the previous day. A large decline in US new single family home sales pushed the dollar lower. The 12.9 per cent fall in September sales was the higgest decline in 2½ years and compared with expectations of an unchanged number.

The home sales data reminded the market *about the* weakness of the economy and revived talk abont an imminent easing in monetary policy. So when the Federal Reserve stood aside from the money market, many dealers immediately assumed that the Federal Reserve had finally made its move on rates.

The dollar rebonnded slightly after London closed but was still clearly below the *previous day's level. In London* it finished lower at DM1.6685 from DM1.6905; at SFr1.4625 from SFr1.4775.

The yen was under pressure on *further suggestions* that interest rates will be cut soon after Mr Kiichi Miyazawa is installed as prime minister on November 5. On the Tokyo money markets, Japanese rates fell again helping the dollar to rise to Y131.00 from Y130.75.

Inside the ERM, there was scattered speculation about an realignment at the Maastricht European Community summit in December and also talk that sterling may move to the narrower 2¼ per cent bands. The pound also firmed after the latest opinion polls put the Labour party only slightly ahead of the Conservative party.

Sterling closed higher at $1.7430 from $1.7225; at SFr2.5500 from SFr2.5450; and at Y228.25 from Y225.25.

£ IN NEW YORK

Oct.30	Latest	Previous Close
£ Spot	1.7430-1.7440	1.7285-1.7295
1 month	0.78-0.77pm	0.71-0.70pm
3 months	2.25-2.22pm	2.13-2.11pm
12 months	7.65-7.58pm	7.43-7.36pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

S.Af (Cm)	4.9015 - 4.9135	2.8350 - 2.8365
S.Af (Fn)	5.3610 - 5.4445	3.0960 - 3.1445
Taiwan	45.85 - 45.95	26.50 - 26.55
U.A.E.	6.2965 - 6.3735	3.6715 - 3.6735

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 30	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.838	-3.59	5.17	62
Belgian Franc	42.4032	42.1410	-0.62	2.03	34
Dutch Guilder	2.31643	2.30656	-0.43	1.83	25
D-Mark	2.05586	2.04723	-0.42	1.83	32
Italian Lira	1538.24	1531.74	-0.42	1.83	25
Irish Punt	0.767417	0.765580	-0.24	1.64	15
Sterling	0.696904	0.702337	0.78	0.61	-16
Danish Krone	7.84195	7.93750	1.22	0.18	-52
French Franc	6.89509	6.99150	1.40	0.00	-72

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads, the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Oct 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7250 - 1.7440	1.7425 - 1.7435	0.78-0.76cpm	5.30	2.22-2.19pm	5.06
Canada	1.9350 - 1.9550	1.9530 - 1.9540	0.45-0.36cpm	2.49	0.89-0.76pm	1.69

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.10-4.05cpm. 12 Month 7.56-7.46pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Oct 30	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
US Dollar	5⅜ - 5¼	5⅜ - 5¼	5⅜ - 5¼	5¼ - 5⅛	5¼ - 5⅛	5½ - 5⅜
Can. Dollar	8¼ - 8⅛	8¼ - 8⅛	7⅞ - 7¾	7⅞ - 7¾	7⅞ - 7¾	7⅞ - 7¾
Dutch Guilder	9⅛ - 9⅛	9⅛ - 9⅛	9⅜ - 9¼	9⅜ - 9¼	9½ - 9⅜	9½ - 9⅜
Swiss Franc	6⅜ - 6	8⅞ - 0⅛	8⅞ - 8⅞	0⅛ - 8⅞	0⅛ - 0⅜	8⅜ - 8¼
D-Mark	8½ - 8¼	9 - 0⅞	9¼ - 9⅛	9½ - 9⅜	9½ - 9⅜	9½ - 9⅜
French Franc	9 - 8⅞	9 - 0⅞	9 - 0⅞	9⅛ - 9⅛	9¼ - 9⅛	9⅜ - 9⅛
Italian Lira	12 - 10	10¾ - 10½	11¼ - 10⅞	11¼ - 10⅞	11¼ - 10⅞	11⅜ - 11⅛
Belgian Franc	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛
Yen	6⅜ - 6¼	6⅜ - 6⅛	6⅜ - 6¼	6⅛ - 6¼	6⅛ - 6	5⅞ - 5¾
Danish Krone	9¼ - 9⅛	9¼ - 9⅛	9¼ - 9⅛	9⅜ - 9⅜	9½ - 9⅜	9⅝ - 9½
Asian $Sing	3⅞ - 3¾	3¾ - 3⅝	3⅞ - 3¾	4¼ - 4	4¼ - 4	4⅜ - 4¼

Long term Eurodollars: two years 6⅛-6⅛ per cent; three years 6⅞-6⅞ per cent; four years 7⅛-6⅞ per cent; five years 7⅜-7¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.30	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.743	2.907	228.2	9.940	2.550	3.277	2179	1.953	60.40	1.419
$	0.574	1	1.668	130.9	5.703	1.463	1.880	1250	1.120	34.65	0.814
DM	0.344	0.600	1	78.50	3.419	0.877	1.127	749.6	0.672	20.78	0.488
YEN	4.382	7.638	12.74	1000.	43.56	11.17	14.36	9549	8.558	264.7	6.218
F Fr.	1.006	1.754	2.925	229.6	10.	2.565	3.297	2192	1.965	60.76	1.428
S Fr.	0.392	0.684	1.140	89.49	3.898	1	1.285	854.5	0.766	23.69	0.556
N Fl.	0.305	0.532	0.887	69.64	3.033	0.778	1	664.9	0.596	18.43	0.433
Lira	0.459	0.800	1.334	104.7	4.562	1.170	1.504	1000.	0.896	27.72	0.651
C$	0.512	0.892	1.488	116.8	5.090	1.306	1.678	1116	1	30.93	0.727
B Fr.	1.656	2.886	4.813	377.8	16.46	4.222	5.425	3608	3.233	100.	2.349
Ecu	0.705	1.228	2.049	160.8	7.005	1.797	2.309	1536	1.376	42.57	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

ECU BOND (MATIF)

December	106.20	106.20	+0.12	106.30	106.14	9.05	4,113
March	-	106.22	+0.12	-	-	9.05	270

Estimated volume 2,376 Total Open interest 4,383

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
106	1.27	-	-	0.10	0.56	-
107	0.56	1.26	-	0.37	0.92	-
108	0.17	0.71	-	-	-	-
109	0.04	0.41	-	-	-	-
Open Int	104,279	82,498	2,720	88,305	43,282	9,423

Estimated volume 26,293 Total Open interest 330,497

Estimated volume 0 (9)
Previous day's open int. 327 (327)

* Contracts traded on APT after trading hours

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7430	1.7363	1.7210	1.7023	1.6679

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bank	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc.	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bank	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

UK rates steady

LONDON money market rates were steady to slightly easier yesterday as sterling strengthened against the dollar. But uncertainty on the outlook for German interest rates prevented a more marked decline.

The latest opinion poll, which put the opposition Labour party only slightly ahead of the Conservatives, provided a boost to sterling, while the more optimistic survey from the Confederation of *British Industry also provided* support.

The December short sterling contract moved ahead to a high of 89.93 before closing unchanged on the day at 89.88.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

Period rates were marginally lower. The three months inter bank rate was 1/16 point lower at 10 13/16-11/16 per cent, while six months money was a 1/16 easier at 10⅜-¼ per cent.

But as yet there is no talk of *lower interest rates. Sterling is* still believed to be too close to the DM2.90 level which the Bank of England chose to defend earlier this month for rates to fall. It closed yesterday at DM2.9075.

There is also a growing awareness that there could he greater pressure for a rise in German interest rates later this year when pay talks begin. If employers concede large pay rises, analysts believe the Bundesbank will respond by raising German rates and this could undermine sterling.

Short-term money rates were steady for much of the day with overnight money trading at 10¼ per cent. Early assistance from the Bank of England helped keep rates steady, although with the *market left short* of liquidity rates hardened towards the close.

A large shortage of £1.2bn was forecast by tha Bank, which was caused by the Bank reselling hills to the market. But this was offset hy a two-week securities repurchase agreement, which injected £577m back into the market.

The Bank bought a further £2m of hills before lunch, £309m during the afternoon and provided £130m of late assistance. With the Bank expected to resell more bills today, a shortage of around £1hn is forecast hy money dealers. However, this may be met with another securities repurchase agreement.

In Germany, call money rates continued to fall as liquidity remained in adequate supply due to end of the month factors. Call money was at 8.30-40 per cent from 8.50-60 per cent. In the futures market, the December euro-mark contract fell 2 basis points to 90.55.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct 30) 3 months US dollars		6 months US Dollars	
bid 5¼	offer 5⅜	bid 5¼	offer 5⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	8	One month	5.10	Three year	6.06
Broker loan rate	7	Two month	4.98	Four year	6.20
Fed.funds	4⅞	Three month	4.97	Five year	6.76
Fed.funds at intervention	-	Six month	5.06	Seven year	7.16
		One year	5.12	10-year	7.47
		Two year	5.73	30-year	7.89

Oct.30	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.30-8.40	9.00-9.15	9.05-9.20	9.25-9.40	9.25-9.40	9.25
Paris	9⅛-9⅞	8⅞-9	8 15/16-9 1/16	9⅛-9¼	9⅛-9¼	9.25
Zurich	7⅞-7⅝	8-8¼	-	8⅛-8⅛	-	-
Amsterdam	9.18-9.31	9.18-9.25	-	9.30-9.38	-	-
Tokyo	6 11/16-6 9/16	6⅛-6⅛	-	6⅛-6⅞	-	-
Milan	10½-10¼	10 15/16-11 1/16	-	11¼-11⅛	-	-
Brussels	9¼-9⅛	9⅛-9⅜	-	9⅜-9½	-	-
Dublin	9 15/16-10 1/16	10-10⅛	10 1/16-10 3/16	10 1/16-10 3/16	10 1/16-10 3/16	-

LONDON MONEY RATES

Oct 30	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11	10⅝	10 [illegible]	10 [illegible]	10 [illegible]	10 [illegible]
Interbank Bid	10	10⅜	10 [illegible]	10 [illegible]	10 [illegible]	10 [illegible]
Sterling CDs	-	-	10 [illegible]	10 [illegible]	10 [illegible]	10 [illegible]
Local Authority Deps.	10½	10 [illegible]	10 [illegible]	10 [illegible]	10 [illegible]	10 [illegible]
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10 [illegible]	10⅜	-	-	-	-
Company Deposits	-	-	10⅝	10⅜	10½	10 [illegible]
Finance House Deposits	-	-	10⅝	10 [illegible]	10 [illegible]	10 [illegible]
Treasury Bills (Buy)	-	-	10¼	10	9⅝	-
Bank Bills (Buy)	-	-	10 [illegible]	10 [illegible]	9¾	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	5.20	5.27	5.25	5.39
SDR Linked Dep. Offer	-	-	7	7	7	7⅛
SDR Linked Dep. Bid	-	-	6⅞	6⅞	6⅞	6 [illegible]
ECU Linked Dep. Offer	-	-	9 [illegible]	9 [illegible]	9 [illegible]	9 [illegible]
ECU Linked Dep. Bid	-	-	9 [illegible]	9 [illegible]	9 [illegible]	9 [illegible]

Treasury Bills (sell); one-month 10⅛ per cent; three months 9⅞ per cent, six months 9½ per cent; Bank Bills (sell): one-month 10¼ per cent; three months 10 1/16 per cent; Treasury Bills; Average tender rate of discount 9.9839 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31 1991. Agreed rates for period Nov.26, 1991 to December 24 1991, Scheme I: 11.68 p.c., Schemes II & III: 11.68 p.c. Reference rate for period October 1, 1991 to October 31, 1991, Scheme IV&V: 10.447 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from September 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991. Deposits withdrawn for cash 5 per cent.

CONTRACTS & TENDERS

MONEY MARKET FUNDS

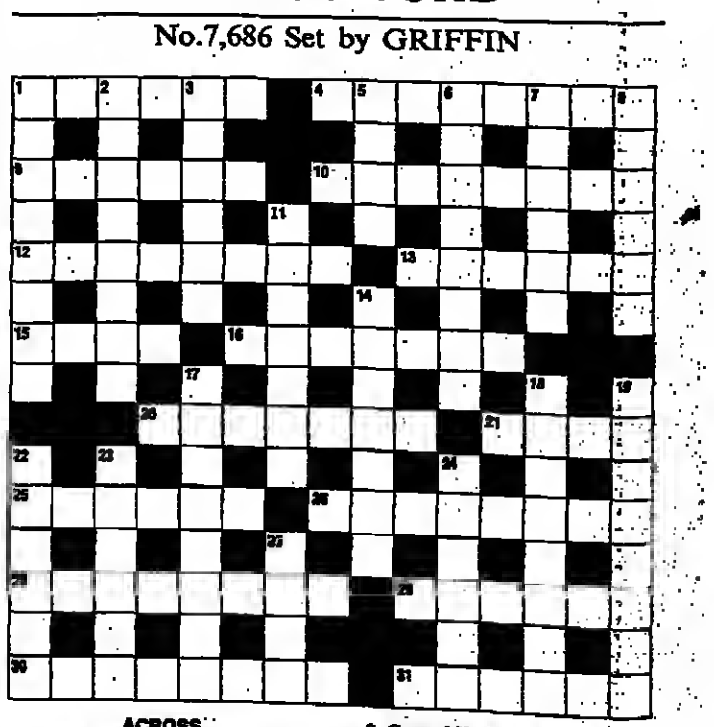
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,686 Set by GRIFFIN



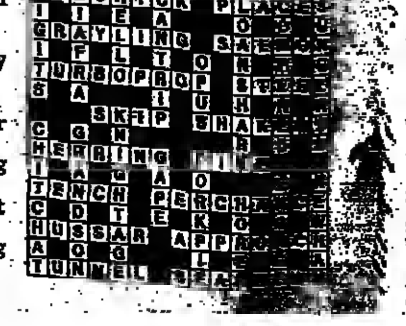
ACROSS

1 Bills in inside pockets (6)
4 Number is zero and thus turned round (8)
9 Ridiculed boy embracing girl (6)
10 Endlessly imagine engineer's allegation (8)
12 First course for race officials (8)
13 Missile taken on a luxury liner? (6)
15 Fish rejected by King's Wharf (4)
16 Stranded behind a coach (7)
20 Sack member with weapon (7)
21 Man's first winning card is a club (4)
25 Key to car, if working, is here (6)
26 Burn food consumed by traveller (8)
28 Roguish friend's after custom-built cars (8)
29 Comfort only Bill accepted (6)
30 A given amount? (8)
31 Dries bananas left in by lazy people (6)

DOWN

1 Friend has fresh ideas for fence (8)
2 In one way a nice "missing person" case (8)
3 Put away in sample compact (6)
5 Firm removing nothing from stock (4)
6 Grumbling, doesn't start speaking (8)
7 A loose female relative (6)
8 Lorry driver? (6)
11 Was boastful ringleader caught outside? (7)
14 One getting on with lodger (7)
17 New IRA vessels and planes (8)
18 One in storm follows motor vehicle (8)
19 Brave sweetheart introduced nowhere near as much (8)
22 Credit note in blue regarded with awe! (6)
23 Capri accountant losing child can (6)
24 Provide a leading French car (6)
27 Voice is a lot different (4)

Solution to Puzzle No.7,685



WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices October 30

INDICES

NEW YORK

DOW JONES	Oct 29	Oct 28	Oct 25	Oct 24	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3061.94	3045.62	3004.92	3016.32	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	97.02	96.97	96.87	96.90	97.55 (18/10)	91.30 (16/1)	97.55 (18/10/91)	54.99 (1/10/81)
Transport	1274.48	1266.07	1244.96	1252.62	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	215.01	214.45	213.51	212.76	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

Day's High 3077.82 (3055.29) Low 3020.13 (3001.57)

STANDARD AND POOR'S

	Oct 29	Oct 28	Oct 25	Oct 24	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite	391.48	389.52	384.20	385.07	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	462.61	460.61	454.37	455.75	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	31.63	31.34	30.75	30.92	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	215.58	214.44	211.82	212.32	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	381.62	379.29	376.43	377.73	382.49 (18/10)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	534.51	529.41	525.13	528.75	540.94 (16/10)	355.75 (14/1)	540.94 (16/10/91)	54.87 (31/10/72)

	Oct 25	Oct 18	Oct 11	year ago (approx.)
Dow Industrial Div. Yield	3.09	3.00	3.10	4.17

	Oct 23	Oct 16	Oct 9	year ago (approx.)
S & P Industrial div. yield	2.73	2.69	2.81	3.42
S & P Ind. P/E ratio	21.17	21.44	20.53	14.86

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Hershey	4,818,100	9	- ⅛
Shop	3,390,500	35¼	+ 2
Salomon Inc	3,032,800	28⅝	+ 2⅛
Compaq Com	2,436,800	28⅛	- ⅛
Chicorp	2,271,900	11	+ ⅛
RJR Nabisco	2,202,500	10⅛	- ⅛
Pepsico	2,195,400	28½	+ ½
Telefonos	2,185,000	42¾	+ ¾
Philip Morris	2,006,400	69⅛	- ¾
Amer Express	1,878,100	18⅞	- ⅛

TRADING ACTIVITY

† Volume Millions	Oct 29	Oct 28	Oct 25
New York SE	192.700	160.220	167.260
Amex	18.036	12.273	14.484
NASDAQ	182.345	145.912	173.954
NYSE			
Issues Traded	2,138	2,098	2,115
Rises	1,024	999	649
Falls	606	598	909
Unchanged	508	501	557
New Highs	99	60	43
New Lows	20	22	25

CANADA

TORONTO	Oct 29	Oct 28	Oct 25	Oct 24	1991 HIGH	1991 LOW
Metals & Minerals	3001.05	2967.09	2965.83	2974.53	3299.99 (18/7)	2632.06 (9/1)
Composite	3485.42	3465.84	3434.17	3446.94	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1848.02	1830.19	1815.84	1822.82	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

*Saturday October 26: Taiwan Weighted Price; (c) Korea Comp Ex. ‡ Subject to official recalculation.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday, 30 October, 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Honshu Paper	11.9	867	-43	Japan Storage B	3.2	1,220	-10
Ishihara Sangyo	6.6	582	-16	Takuma	3.1	1,850	+46
Howa Machinery	5.8	1,180	+10	Mitsuboshi Belt	2.8	986	+11
Meiji Milk Prods	5.4	1,150	-50	Toyo Tire & Rbr	2.7	1,040	+46
Nippon Paint	4.4	807	-5	Kawasaki Heavy	2.5	587	-8

Price data supplied by Telekurs.

3:15 pm prices October 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	8½	AAR Corp x	0.48	0.62	19	68	14⅛	14⅛	14⅛	-⅛
20½	14½	A L Labs A	0.16	0.01	22	2065	u20¾	19¾	20⅝	+⅝
55¾	40⅞	AMP Inc x	1.44	0.66	68	1136	51¼	51⅛	51½	
68⅝	44¼	AMR			12	1861	64⅝	63⅞	63⅝	-⅞
2⅝	1	ARX			1	218	1⅝	1⅝	1⅝	
56	41½	ASA	3.50	0.07	14	199	48¾	48¼	48¼	-⅛
03⅞	39½	Abbott Lab	1.00	0.03	23	1659	55¾	03	55¼	-⅝
14⅝	9⅞	Abitibi Pr	0.60	0.84	25	52	14	13⅝	14	+⅝
[illegible]										

A leading position:

The acquisition of Continental Can Europe, has made the VIAG Group one of Europe's major packaging companies.

VIAG

AKTIENGESELLSCHAFT

Georg-von-Boeselager-Str. 25
D-5300 Bonn 1
Telefax: (228) 552-2122

Continued on next page

هكذا صدر الأصل

NYSE COMPOSITE PRICES

continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	37	Rubbermaid x	0.68	0.01	38	718	u61¼	60½	60¾	+⅛
[illegible]	13½	Ruddick	0.24	0.02	16	17	16⅞	15⅞	15⅞	−⅛
[illegible]	13	RussBerrlu	0.30	0.24	13	14	15¼	15⅞	12¾	
[illegible]	2¼	Russ Togs	0.20	0.08	0	265	2½	2⅜	2⅜	
[illegible]	10⅛	Russell Cp x	0.32	0.01	22	65	28¼	27⅞	27⅞	−⅛
[illegible]	14	Ryder Syst	0.30	0.03	36	835	16⅞	16¼	16¾	+½
[illegible]	12⅞	Ryland Grp	0.02	0.20	26	60	22¼	21¾	21¾	−⅝

- S -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	30⅛	S Anita Rt	2.06	0.02	17	279	22¾	26	22½	−¼
[illegible]	11½	SCOR US Cp	0.20	0.02	9	7	15¼	15⅞	15¾	
37	20¾	SPS Techno	1.28	0.80	12	6	26½	25¼	25⅞	+⅛
[illegible]	⅜	Saatchi&S	0.19	0.30		01041	[illegible]	0⅝	⅝	−[illegible]
13	11	Sabine Rit	1.18	0.30	7	31	u13	12⅞	13	
[illegible]	5⅞	Safecard	0.15	0.02	6	131	9⅝	9¼	9¼	
[illegible]	6⅞	Saleg'd Sc			6	21	12	11⅞	11⅞	−¼
[illegible]	25	SafetyKln	0.32	0.01	29	655	23⅞	23⅝	29¼	+¼
[illegible]	11⅞	Safeway			14	199	16½	16¼	16¼	−⅛
[illegible]	2⅛	SafewayW96				167	2⅞	3⅞	4	−⅛
[illegible]	26⅞	StJoePaper	0.20	0.01	37	101	34	33½	33¾	+½
[illegible]	26⅝	StJosL&P x	1.86	0.06	11	4	30¾	30⅝	30⅝	−⅛
[illegible]	1⅛	Salant Grp			0	5	3⅞	3⅞	3⅛	

[illegible]

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
9¼	4½	TCBY Enter	0.20	0.84	12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21¼	7	TCF Financ x	0.40	0.02	10	17	[illegible]	[illegible]	[illegible]	[illegible]
8⅞	6⅞	TCW Conv S	0.84	0.10		270	[illegible]	[illegible]	[illegible]	[illegible]
49¾	26⅞	TDK Corp A	0.36	0.01	00	3	[illegible]	[illegible]	[illegible]	[illegible]
8½	0⅝	T I S Mtge	1.28	0.14	6	24	[illegible]	[illegible]	[illegible]	[illegible]
30⅞	9⅛	TJX Cos x	0.48	0.03	14	1237	[illegible]	[illegible]	[illegible]	[illegible]
21	15⅛	TNP Enterp	1.63	0.19	11	449	[illegible]	[illegible]	[illegible]	[illegible]
40¼	34½	TRW Inc x	1.80	0.05	16	1088	[illegible]	[illegible]	[illegible]	[illegible]
1½	⅞	TacomaBoat			0	20	[illegible]	[illegible]	[illegible]	[illegible]
25¼	16⅛	Taiwan Fd				232	[illegible]	[illegible]	[illegible]	[illegible]
8¼	3⅛	Talleyind	0.20	0.00	6	140	[illegible]	[illegible]	[illegible]	[illegible]
11⅞	3⅛	Talley Pf	1.00	0.10		7	[illegible]	[illegible]	[illegible]	[illegible]
59½	38⅛	Tambrands x	1.20	0.02	24	720	[illegible]	[illegible]	[illegible]	[illegible]
18⅝	9¼	Tandem			35	3351	[illegible]	[illegible]	[illegible]	[illegible]
30½	23⅞	Tandy Corp	0.60	0.02	10	569	[illegible]	[illegible]	[illegible]	[illegible]
12⅝	10⅞	Taurus Mun	0.63	0.07		27	[illegible]	[illegible]	[illegible]	[illegible]
39⅞	31½	Teco Energ x	1.72	0.24	16	323	[illegible]	[illegible]	[illegible]	[illegible]
30⅞	18⅞	Tektronix	0.60	0.03	13	906	[illegible]	[illegible]	[illegible]	[illegible]
1⅞	⅛	Telecom Cp			7	11	[illegible]	[illegible]	[illegible]	[illegible]
24¼	14⅞	Teledyne x	0.60	0.04	10	690	[illegible]	[illegible]	[illegible]	[illegible]
36¼	24⅝	TeleEspSA	1.41	0.04		56350	[illegible]	[illegible]	[illegible]	[illegible]
44¼	24½	Telmex ADR				12896	[illegible]	[illegible]	[illegible]	[illegible]
51½	28½	Templeinl	0.62	0.02	16	406	[illegible]	[illegible]	[illegible]	[illegible]
23¾	11⅞	TempltEmMk	0.19	0.01		128	[illegible]	[illegible]	[illegible]	[illegible]
9⅝	6⅞	TempltGlob x	0.84	0.09		119	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
10½	12	Zenith Nat x	1.00	0.20	94	3	16¼	16½	16¼	−⅛
6⅞	4½	Zenis Inc x	0.84	0.12		127	u6⅞	9¼	6¼	+⅛
15⅛	10⅞	Zero Corp x	0.40	0.20	10	653	12⅝	12	12¼	−⅛
41⅞	25½	Zurn Ind x	0.88	0.02	14	38	34¾	34⅛	34½	+⅛
13⅝	10¼	Zweig Fund	1.13	0.08		252	12¾	12½	12⅝	−⅛
10½	8½	Zweig Totl	0.26	0.09		452	16⅞	10¼	10⅞	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices October 30

[illegible]

NASDAQ NATIONAL MARKET

3:00 pm prices October 30

[illegible]

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
ZionsUtah	1.44	8	10	47	40	44½	

AMERICA

Dow edges higher despite Fed's confusing signals

Wall Street

CONFUSING signals from the Federal Reserve about its monetary policy left traders perplexed yesterday morning, and stock prices posted only modest gains, *writes Karen Zagor in New York.*

The Fed failed to intervene in the open market early yesterday, when the market had expected it to drain cash to address a soft Fed funds rate, which left players uncertain about whether credit had been eased. Later, it added reserves by buying Treasury bills and this further depressed the Federal Funds rate.

Bond yields, which fell sharply on Tuesday in anticipation of an easing of monetary policy, held steady yesterday, with the Treasury's benchmark 30-year bond trading at 102⅞ for a yield of 7.88 per cent.

At 1.30 pm, the Dow Jones Industrial Average stood 7.38 higher at 3,069.32 on moderate volume. Advancing issues led those declining by a ratio of three to one. The Standard & Poor's 500 was 1.11 higher at 392.59. On Tuesday, the Dow added 16.32 to 3,061.94.

Among the most active blue chip issues, Chrysler climbed $1⅛ to $12¼ after posting better-than-expected third-quarter results. The carmaker narrowed its net loss to 36 cents a share from 95 cents.

Kellogg eased $2 to $103½ after some analysts cut earnings estimates for the company on the heels of an analysts' meeting where Kellogg's chairman warned that its results would be at the low end of expectations for 1991. He also projected low double-digit growth for the next two years.

Mergers, both real and rumoured, dominated the banking sector yesterday morning. National City dropped $3⅛ to $36⅝ on news that the bank based in Cleveland, Ohio, has agreed to merge with Merchants National in a deal worth about $655m. Moody's put National City on creditwatch yesterday afternoon with negative implications.

In over-the-counter trading, Merchants National soared $9 to $38 on the news. Under the terms of the merger, each Merchants share will be swapped for 1.12 shares of National City, putting a share value of $43.54 per Merchants National share on the transaction.

Continental Bank climbed $1¼ to $11¼ on reports that the bank had entered preliminary merger talks with First Chicago.

A 12.5 per cent raise in Allergan's quarterly dividend pushed shares in the company $2¼ higher to $22⅝.

Morning gains were more pronounced in the secondary market yesterday, with the Nasdaq composite rising 5.29 to 539.80 at midsession. Novell led morning trading, climbing $2⅝ to $48⅛, close to its 52-week high of $49. The stock will be added to the Standard & Poor's 500 index after the close of business today.

Trading was also active in Super Cuts, which changed hands at $12⅞ following an initial public offering of 1.75m shares at a price of $11 a share.

Canada

TORONTO stocks climbed for the third successive session as bank shares continued to rise on expectations of lower interest rates in the US. The composite index rose 14.0 to 3,499.5. Advances led declines by 266 to 159 on volume of 15.7m shares valued at C$173.2m.

Among bank issues, Bank of Montreal rose C$½ to C$37⅞, Toronto-Dominion gained C$⅛ to C$18½, Royal Bank firmed C$⅜ to C$27¼ and Canadian Imperial rose C$⅜ to C$31.

Economic recovery hopes pass Toronto by

The sad state of Canada's resource industries is a big disincentive, says Bernard Simon

INTEREST RATES in Canada are falling steeply, inflation is under control and many companies are starting to feel the refreshing breeze of economic recovery. Investors on the Toronto Stock Exchange (TSE), however, have so far found little to cheer about.

The TSE lags well behind Wall Street. While the Dow Jones Industrial Average bounces from one record high to another, the TSE 300 index remains stuck where it has been for most of this year, in a band between 3,400 and 3,600. At Tuesday's close of 3,485, it was still far below its 1987 peak of 4,112.

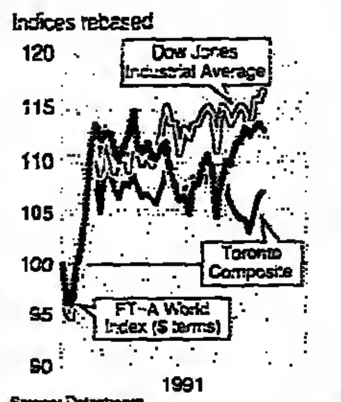
Foreign investors are pouring record amounts of money into Canada. But all the C$16.5bn (US$14.7bn) in foreign cash which found its way into Canadian securities in the first eight months of this year ended up in the bond and money markets. Foreigners were small net buyers of equities in August, but the net outflow for the year so far is more than C$1bn.

Mr Graham Colbourne of Barclays McConnell, a Toronto investment management company, says that some foreign portfolio managers simply overlook Canadian stocks, and stick to the US. Others are put off by the limited liquidity of the many tightly controlled Canadian companies.

"Some investors feel it is not quite as level a playing field as they might like," Mr Colbourne notes.

But the biggest disincentive to investing in Toronto at present is the sad state of Canada's resource industries. The TSE's gold mines index has dropped 14.3 per cent since the beginning of the year, and the oil and gas index is down 9 per cent. Forestry shares staged a comeback in the summer, but have since retreated again.

Weak commodity prices and, in many cases, falling sales volumes are wreaking significant damage on Canadian resource companies. Every leading pulp and paper producer suffered a third-quarter loss. Earnings of two of the biggest integrated oil companies, Imperial Oil and Shell Canada, have tumbled by about 80 per cent.



In the mining sector, Cominco, the base metals producer, is in the red. Inco (nickel) and Alcan (aluminium) posted profit declines of 76 per cent and 53 per cent respectively.

The majority of these companies have little hope of an early recovery. Even investors who specialise in bottom-fishing appear to believe that most resource stocks have further to fall before they recover.

Non-resource sectors are starting to respond, however, to brightening macro-economic signals. For instance, shares of Dofasco, the country's biggest steelmaker, have bounced up from C$17.75 to C$19 since the end of September, even though the company posted a C$10m third-quarter loss.

Optimism is growing that Ottawa will meet its target of bringing the annual inflation rate down to 3 per cent by the end of 1992. As a result, interest rates are coming down fast. Bank of Montreal earlier this week lowered its prime lending rate to 8.5 per cent, the lowest level in 13 years, and a drop of another half percentage point or so is expected by next summer.

With fixed-income yields dwindling, retail investors in particular appear to be taking a renewed interest in the stock market. This year's issue of Canada Savings Bonds, normally one of the most popular havens for personal savings, carries a 7.5 per cent coupon, which is 3.25 percentage points lower than last year. "People are thinking they have got to do better than this," says Mr James Muir, research director at Richardson Greenshields, a securities firm with a large retail base.

Mr Muir is recommending several leading commercial and industrial stocks. They include Bombardier, the transport equipment maker; Molson, the beer and cleaning services group; and two diversified industrial companies from western Canada, Calgary-based Atco, and Federal Industries, of Winnipeg.

ASIA PACIFIC

Lower bond prices trigger selling of equities

Tokyo

A DECLINE in bond prices prompted profit-taking in futures yesterday, and share prices eased on selling by investment trusts and financial institutions, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed 159.43 down at the day's low of 24,981.18, after reaching a high of 25,254.80. The index rose in early trading on arbitrage-related activity encouraged by the gains on Wall Street. However, the downturn in bond prices triggered profit-taking by institutional investors.

Volume decreased to 320m shares from 400m. Declines finally led advances by 577 to 393 with 184 issues unchanged. The Topix index of all first section stocks shed 8.26 to 1,877.81 and, in London, the ISE/Nikkei 50 index eased 0.62 to 1,416.19.

Traders said equity prices had already discounted an expected cut in the official discount rate and that the market lacked direction.

The Bank of Japan's branch managers' meeting ends today, and market participants are awaiting a rate reduction. Credit Suisse Japan predicted in a report: "The cut will probably come shortly after November 5, when the new cabinet is installed."

However, the central bank could make a move sooner in an attempt to avoid the impression that it is acting under political pressure.

Speculative issues that had been active recently lost ground on rumours that a prominent speculative investor had been killed. Honshu Paper, the most active stock of the day, fell Y43 to Y967. Ishihara Sangyo, the titanium dioxide producer which had risen on reports of a new solar battery using titanium dioxide, retreated Y10 to Y592.

Electrical issues lost ground on weak earnings announcements. Japan's five leading electronic equipment makers have reported sharp declines in profits for the first half, owing to the sluggish semiconductor market. Fujitsu, which announced a 41 per cent drop in pre-tax profits on Tuesday, slipped Y5 to Y940, while NEC eased Y10 to Y1,260.

The Tokyo Stock Exchange announced yesterday that shares held for arbitrage with December stock futures reached a record Y1,536bn as of October 25, up Y87.4bn on the week. SBCI Securities was the most active arbitrageur in the week of October 21-25, trading a total of 23.8m shares. It was followed by Morgan Stanley and Baring Securities.

In Osaka, the OSE average rose 3.21 to 27,274.90 on volume of 27.6m shares. Small-lot buying supported construction and chemical issues. Ono Pharmaceutical gained Y130 to Y6,530.

Roundup

WALL STREET's overnight rise lifted most of the Pacific Rim markets yesterday.

AUSTRALIA advanced on hopes of an interest rate cut, after news of a fall in inflation in the September quarter. The All Ordinaries index put on 12.2 to 1,663.7 as turnover expanded to A$221m (A$184m).

Interest rate-sensitive stocks were firm, with News Corp, which was also boosted by the US rise, jumping 48 cents to A$14.02. Among other winners, BHP gained 20 cents to A$14.78, Coles Myer 24 cents to A$12.40 and ANZ 8 cents to A$4.08.

HONG KONG stretched its rally to a third consecutive session, fuelled by Wall Street and renewed buying of property shares. The Hang Seng index climbed 19.99 to 4,020.04, while turnover increased to HK$1.13bn from HK$1.01bn.

Topping the day's most active list was Hong Kong & China Gas, which gained 50 cents to HK$11.30 on speculation that it will soon move one of its plants in Kowloon and redevelop the site into a residential complex.

MANILA moved ahead in moderately active trading. The composite index put on 11.82 to 1,021.38 but turnover fell to 74.4m pesos from 154.7m.

The market was lifted by two leading issues following their overnight strength on Wall Street. Philippine Long Distance Telephone rose 12.50 pesos to 647.50 while San Miguel, helped by optimistic forecasts of third-quarter results, put on 2.5 pesos to 61.

SINGAPORE and KUALA LUMPUR were both quiet ahead of tomorrow's Malaysian budget, which is expected to curb consumer spending. The Straits Times industrial index lost 3.26 to 1,402.50 while the KLSE composite index dipped 4.39 to 530.30. Turnover in Singapore declined to S$105m from S$117m and in Kuala Lumpur it fell to M$59m from M$105m.

NEW ZEALAND finished below the day's high after mild profit-taking set in. The NZSE-40 index ended 11.01 to the good at 1,546.80, after climbing to 1,552.78 earlier. Turnover remained strong, totalling NZ$30.4m.

SEOUL rose as large-capital electronics shares recovered. The composite index closed at 700.38, up 5.93, in turnover of Won336bn, against Won310bn.

TAIWAN came off the day's peak on profit-taking ahead of today's holiday. The weighted index ended 25.41 ahead at 4,369.86. Turnover was moderate at T$20bn.

BANGKOK attracted bargain hunters. The SET index appreciated 11.19 to 658.21 amid turnover of Bt2.5bn.

COLOMBO's stock exchange registered its biggest deal yesterday, when 15.3m shares of Lanka Milk Foods were bought for SLRs528m ($12m), writes Mervyn de Silva.

The buyer was Stassen and Company, Sri Lanka's top tea exporter to the Middle East. According to business circles, Stassen was backed by an unidentified Dubai group.

Stassen won the deal against stiff competition from Bonlac, of Australia, and the New Zealand Dairy Board. A Dutch consortium represented by Lanka Securities had also been in the running. Somevilles represented Stassen while Forbes and Walker represented the New Zealand Dairy Board.

The seller was the Ceylon Wholesale Establishment, a state corporation. The sale of more than half the shares in Lanka Milk Foods is part of a privatisation scheme required by the International Monetary Fund and World Bank under an extended Structural Adjustment Facility.

EUROPE

Frankfurt falls back on steel sector downgrading

A DOWNGRADING of steel shares depressed Frankfurt yesterday. Most other bourses were also weak, although Paris benefited from gains in a few big blue chips, *writes Our Markets Staff.*

FT-SE Eurotrack 100 - Oct 30

Hourly changes

Open	10 pm	11 am	Noon	1 pm	2 pm	3 pm	Close
1100.28	1100.98	1102.09	1099.82	1099.82	1100.19	1100.77	1101.22

Day's High 1102.45   Day's Low 1098.89

Oct 29	Oct 28	Oct 25	Oct 24	Oct 23
1099.96	1097.04	1091.25	1093.89	1100.82

FRANKFURT ended at the day's low after a bigger-than-expected downgrading of the steel sector by Degab, Deutsche Bank's research arm. The fall was cushioned, however, by a firm bond market.

The DAX index reached a session high of 1,596.96 before closing 7.92 down at 1,582.83. The FAZ index, calculated at midsession, was up 1.70 at 656.83. Volume rose to DM5.2bn from DM4.8bn.

Dealers said that the market had been warned some weeks earlier that Degab would review its 1992 earnings forecasts for the steel, car and mechanical engineering sectors. They expected the market to move sideways until November 11, when the government is expected to make a decision on a withholding tax on interest income. There was talk that the government would exempt foreigners from the tax, which could spark a rally in the bond and equity markets.

In the wake of the Degab downgradings, Thyssen fell DM3.30 to DM210.50, Hoesch lost DM2.50 to DM252 and Klöckner-Werke fell DM2.90 to DM120.60, as their 1992 earnings per share estimates fell from DM20 to DM15, DM20 to DM14 and DM10 to DM4, respectively.

On the plus side, Preussag, the metals and engineering group, surprised the market with the news that it was raising its dividend for 1990/91 to DM10 from DM8. At the close of official trading, the stock was 50 pfg better at DM337 and moved as high as DM344.50 after hours.

AMSTERDAM digested the third-quarter results of Philips and DSM. The CBS Tendency Index eased 0.2 to 89.8 in reasonable volume.

Philips pleased the market with third-quarter figures at the top end of expectations. The stock closed 80 cents higher at Fl 33.60, but off the day's high of Fl 34 as the initial euphoria faded. Mr Jeremy Goodman at Carnegie International said that, at the operating level, Philips was still finding the going tough.

DSM fell Fl 2.50 to Fl 99.40 after announcing a 38 per cent decline in net profit, and saying it could see no short-term improvement in its operating markets. However, the stock came off the day's low of Fl 98.80, as investors took comfort in its high yield of 8 per cent and the fact that the dividend is not in jeopardy.

PARIS moved higher in moderate activity, although trading was interrupted for more than an hour by a technical fault. The CAC 40 index ended at 1,861.80, up 8.30. Turnover improved on Tuesday's FFr1.8bn.

Alcatel-Alsthom attracted interest in the absence of other buying incentives, rising FFr11 to FFr619 in heavy volume of 614,490 shares. At the close, it said it would buy the minority in its Cegelec subsidiary. Axa Midi gained FFr21 to FFr925 on the news that, like Suez, it is to sell its stake in Penhoët, which remained suspended.

Rhône-Poulenc rose another FFr11 to FFr465 after this week's third-quarter figures from Rhône-Poulenc Rorer, the company formed after its acquisition of Rorer of the US. Mr Mark Tracey of Paribas said that the figures were better than market expectations, adding that Rhône-Poulenc Rorer was likely to grow at about twice the rate of most US drug companies, while its p/e ratio was at the bottom end of US drug company ratings. It also had room to raise its operating margin, he said.

MILAN was generally easier but came off the day's lows on short-covering. The Comit index dropped 1.34 to 512.91 in turnover estimated at close to Tuesday's L79bn.

The market was unsettled by a fall in Fiat, which lost L80 to L4,810 at the official fix, but recovered L45 after hours. The telecoms sector was firm, with Sip adding L16 to L1,255 and Stet up L20 at L1,960.

STOCKHOLM saw an early rally peter out as traders wound down positions ahead of tomorrow's holiday. The Affärsvärlden General index rose 8.9 to 1,014.3 in turnover of SKr317m after SKr361m.

OSLO's all-share index slipped 8.70 to 468.33 in turnover of NKr350m.

Hafslund Nycomed, the pharmaceutical company, announced nine-month profits at the high end of expectations, but its free shares lost NKr4 to NKr249 after rising NKr10 in the previous two days.

VIENNA fell to another 1991 low. The 18-share ATX index dropped 19.94 to 933.33.

SOUTH AFRICA

JOHANNESBURG closed higher as the gold price rose above $359. The all-share index climbed 52 to 3,523 with the all-gold index rising 17 to 1,193, and the industrial index jumping 74 to 4,269. Vaal Reefs ended up R3 at R209.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY OCTOBER 29 1991								MONDAY OCTOBER 28 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	156.90	+0.8	135.05	129.58	137.90	132.59	+0.5	4.80	155.62	135.44	129.99	138.27	131.92	158.25	112.74	123.14
Austria (20)	156.70	+0.1	134.88	129.52	137.73	138.51	−0.4	2.06	156.57	136.27	130.79	139.11	139.00	222.37	154.62	200.77
Belgium (47)	129.61	+1.0	111.56	107.12	113.91	111.23	+0.0	5.33	128.34	111.70	107.20	114.03	111.25	151.20	118.04	137.21
Canada (114)	140.84	+1.0	121.22	116.39	123.77	114.52	+0.8	3.26	139.48	121.39	116.51	123.92	113.62	142.27	126.49	123.18
Denmark (37)	253.79	+1.0	218.45	209.76	223.06	227.13	+0.4	1.56	251.24	218.66	209.88	223.23	226.30	270.56	217.74	255.11
Finland (15)	84.13	−1.1	72.41	69.53	73.94	73.42	−0.8	3.32	85.04	74.01	71.04	75.56	74.02	125.15	83.69	101.08
France (109)	140.26	+1.2	120.72	115.91	123.26	126.94	+0.1	3.50	138.64	120.66	115.80	123.17	126.84	152.26	119.11	137.68
Germany (65)	107.09	+2.3	92.18	88.52	94.12	94.12	+1.2	2.40	104.70	91.13	87.47	93.03	93.03	125.35	94.15	114.20
Hong Kong (55)	164.21	+0.1	141.34	135.72	144.33	163.86	+0.2	4.44	164.11	142.83	137.09	145.82	163.62	169.98	119.62	122.63
Ireland (18)	158.13	+1.8	136.10	130.69	138.98	140.71	+0.7	3.56	155.30	135.16	129.73	137.98	139.74	182.46	132.88	158.52
Italy (77)	68.13	+0.3	58.64	56.30	59.87	64.32	−0.7	3.60	67.96	59.14	56.76	60.38	64.78	88.23	64.78	85.47
Japan (474)	142.36	+1.6	122.53	117.65	125.13	117.65	+0.6	0.72	140.06	121.90	117.00	124.46	117.00	146.97	118.23	137.43
Malaysia (68)	202.87	−0.3	174.61	167.66	178.29	215.33	−0.2	2.87	203.40	177.02	169.90	180.72	215.78	247.78	189.18	205.26
Mexico (18)	1312.06	−1.3	1129.31	1084.41	1153.15	4305.04	−1.6	1.22	1329.17	1156.80	1110.31	1180.98	4375.72	1336.04	534.45	550.53
Netherland (31)	140.87	+1.2	121.25	116.43	123.81	122.42	+0.1	4.40	139.20	121.15	116.28	123.68	122.30	145.73	125.70	132.84
New Zealand (14)	48.76	+2.3	41.97	40.31	42.86	46.62	+2.2	6.23	47.68	41.50	39.83	42.37	45.81	54.64	41.18	51.20
Norway (30)	188.91	+0.9	162.60	156.14	166.04	170.07	−0.1	1.52	187.18	162.91	156.36	166.32	170.16	223.24	178.58	236.39
Singapore (38)	198.13	+0.7	170.53	163.75	174.13	155.03	+0.5	2.23	196.84	171.32	164.43	174.89	154.26	208.25	151.63	164.52
South Africa (81)	258.03	+0.6	222.09	213.25	226.77	174.89	+0.3	2.79	256.37	223.13	214.16	227.78	174.30	258.85	173.00	182.88
Spain (53)	152.52	+0.8	131.28	126.06	134.05	122.94	−0.3	4.46	151.67	132.00	126.70	134.76	123.35	171.12	131.51	146.71
Sweden (25)	184.35	+1.8	158.67	152.37	162.03	168.04	+0.7	2.65	181.06	157.58	151.25	160.87	166.85	204.12	146.60	172.55
Switzerland (59)	94.76	+1.4	81.56	78.32	83.29	86.80	+0.0	2.22	93.44	81.32	78.06	83.03	86.80	100.67	82.17	90.10
United Kingdom (240)	176.49	+1.0	151.90	145.85	155.10	151.90	−0.1	4.87	174.75	152.09	145.96	155.25	152.09	187.44	156.27	158.81
USA (526)	159.01	+0.5	136.87	131.43	139.76	159.01	+0.5	8.04	158.18	137.66	132.14	140.55	158.18	161.02	125.95	122.43
Europe (826)	138.81	+1.2	119.47	114.72	122.00	121.33	+0.1	3.95	137.19	119.40	114.60	121.90	121.23	151.52	125.50	134.86
Nordic (107)	182.24	+1.3	156.86	150.62	160.17	158.30	+0.4	2.04	179.96	156.62	150.32	159.89	157.83	200.81	155.55	183.56
Pacific Basin (718)	142.79	+1.5	122.91	118.02	125.50	119.03	+0.5	1.05	140.64	122.40	117.49	124.96	118.39	145.92	117.66	136.09
Euro−Pacific (1544)	141.56	+1.4	121.84	116.99	124.40	120.80	+0.4	2.18	139.61	121.51	116.61	124.04	120.36	147.66	121.29	135.96
North America (640)	157.81	+0.8	135.83	130.44	138.72	156.00	+0.5	3.05	156.94	136.59	131.11	139.47	155.18	159.66	125.91	122.39
Europe Ex. UK (586)	116.46	+1.3	100.24	96.27	102.38	103.79	+0.2	3.25	114.94	100.04	96.03	102.15	103.53	129.80	103.56	119.71
Pacific Ex. Japan (244)	147.03	+0.5	126.55	121.53	129.23	130.51	+0.4	4.23	146.28	127.31	122.21	129.99	130.00	147.60	111.40	119.59
World Ex. US (1735)	143.48	+1.3	123.50	118.59	126.11	122.16	+0.4	2.22	141.58	123.22	118.27	125.80	121.72	148.16	122.32	136.03
World Ex. UK (2021)	144.89	+1.1	124.71	119.75	127.35	131.88	+0.5	2.26	143.37	124.78	119.77	127.40	131.24	145.77	120.06	127.50
World Ex. So. Af. (2200)	146.92	+1.1	126.46	121.44	129.14	133.44	+0.4	2.52	145.39	126.53	121.46	129.19	132.87	148.66	122.92	130.06
World Ex. Japan (1787)	151.87	+0.8	130.72	125.53	133.50	142.49	+0.4	3.41	150.73	131.16	125.92	133.95	141.98	152.85	126.69	127.85
The World Index (2261)	147.65	+1.0	127.09	122.04	129.78	133.79	+0.4	2.52	146.12	127.17	122.06	129.84	133.23	149.01	123.28	130.26

JPMorgan